



Learn About Your Available Tax Savings

Want to lower the true cost of ownership on your business equipment? Here's how:

Business Equipment

Business owners who acquire equipment for their business: machinery, computers, and other tangible goods, usually prefer to deduct the cost in a single tax year, rather than a little at a time over a number of years. This deduction is known by its section in the tax code, a Section 179 deduction.

Under Section 179, businesses that spend less than \$800,000 a year on qualified equipment, can write off up to \$250,000 in 2008. The rules are designed for small companies, so the \$250,000 deduction phases out when a business purchases more than \$800,000 in one year. (Companies cannot write off more than their taxable income).

Benefits of a Non-Tax/Capital Lease

The benefit of a Non-Tax/Capital Lease is that it can take advantage of Section 179: expense up to \$250,000 on equipment purchased by December 31, 2008. In addition, you may depreciate any excess on the depreciation schedule or take advantage of the more immediate bonus depreciation. Examples of Non-Tax/Capital Leases include a \$1.00 Buyout Lease, an Equipment Finance Agreement (EFA), and a 10% Purchase Upon Termination (PUT) Lease.

Tax Savings Example - Section 179 Deduction

Cost of Equipment:	\$	250,000.00
Section 179 Deduction:		\$250,000.00
50% Bonus Depreciation:	\$	-
Regular First Year Depreciation Deduction:	\$	-
Total First Year Deduction:	\$	250,000.00
Cash Savings on your Equipment Purchase: (Assuming a 35% Tax Bracket)	\$	87,500.00
Lowered Cost of Equipment after Tax Savings	\$	162,500.00



Tax Code Section 179 & Election to Expense Detail

The election, which is made on Form 4562, is for the tax year the property was placed in service or an amended return filed within the time prescribed by law. The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income during the tax year. Section 179 property is property that you acquire by purchase for use in the active conduct of your business. To ensure property qualifies, reference Publication 946.

This expense deduction is provided for taxpayers (other than estates, trusts or certain non-corporate lessors) who elect to treat the cost of qualifying property as an expense rather than a capital expenditure. Under Section 179, equipment purchases, up to the amount approved for a given year, can be expensed (deducted from taxable income) if installed by December 31st. Non-Tax leases qualify for this deduction in their year of inception. Any excess above the expensed amount can be depreciated depending on the equipment type. Not all states follow federal law. Contact your tax advisor for further detail or visit www.irs.gov for specific detail.

Further Detail

Reminder: to take advantage of the 2008 tax incentives, your business equipment must be put in use by year-end. Each company should contact their tax advisor to learn about the specific impact to your business.

Interested in learning more? We'll provide you with a free consultation and extend finance solutions so you can acquire the business equipment you need. Contact us today.