

# SECTION 179 DEDUCTION

★ ★ ★ ★ ★  
**SECTION  
179  
SAVINGS**  
★ ★ ★ ★ ★

## SECTION 179 AT A GLANCE FOR 2020:

2020 Deduction Limit = \$1,040,000

This deduction is good on new and used equipment, as well as off-the-shelf software.

2020 Spending Cap on equipment purchases = \$2,590,000

This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced on a dollar for dollar basis.

Bonus Depreciation: 100% for 2020

*Bonus Depreciation is generally taken after the Section 179 Spending Cap is reached.*

The above is an overall, “birds-eye” view of the Section 179 Deduction for 2020. For more details on limits and qualifying equipment, as well as Section 179 Qualified Financing, please read this entire website carefully.

An example of Section 179 at work:

2020 Section 179 Example Calculation	
Equipment Purchases:	\$ 1,150,000
First Year Write Off: <small>(\$1,000,000 = maximum in 2018)</small>	\$ 1,000,000
100% Bonus First Year Depreciation: <small>(updated to 100% via Tax Cuts and Jobs Act)</small>	\$ 150,000
Normal First Year Depreciation: <small>(20% in each of 5yrs on remaining amount)</small>	\$ 0
Total First Year Deduction: <small>(\$1,000,000 + 150,000 + 0)</small>	\$ 1,150,000
Cash Savings: <small>(\$1,150,000 x 35% tax rate)</small>	\$ 402,500
Equipment cost after Tax: <small>(assuming a 35% tax bracket)</small>	\$ 747,500

### What is the Section 179 Deduction?

Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the FULL PURCHASE PRICE from your gross income. It's an incentive created by the U.S. government to encourage businesses to buy equipment and invest in themselves.

Today, Section 179 is one of the few government incentives available to small businesses, and has been included in many of the recent Stimulus Acts and Congressional Tax Bills. Although large businesses also benefit from Section 179 or Bonus Depreciation, the original target of this legislation was much needed tax relief for small businesses – and millions of small businesses are actually taking action and getting real benefits.

### Essentially, Section 179 works like this:

When your business bought qualifying equipment, it typically wrote it off a little at a time through depreciation. In other words, if your company spends \$50,000 on a machine, it gets to write off (say) \$10,000 a year for five years (these numbers are only meant to give you an example). Now, while it's true that this is better than no write-off at all, most business owners would really prefer to write off the entire equipment purchase price for the year they buy it.

And that's exactly what Section 179 does – it allows your business to write off the entire purchase price of qualifying equipment for the current tax year. This has made a big difference for many companies (and the economy in general.) Businesses have used Section 179 to purchase needed equipment right now, instead of waiting. For most small businesses, the entire cost of qualifying equipment can be written-off on the 2020 tax return (up to \$1,040,000).

SECTION179.ORG

TAKE ADVANTAGE  
OF YEAR END SAVINGS  
& TAX DEDUCTIONS\*