

Create

Your Own

Tax Break



Businesses may write-off capital expenditures up to \$500,000!

Business Equipment Purchases: Cash, Lease, or Finance

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 \$2,000,000 a year on qualified equipment, may write-off up to \$500,000.

Benefits of a Capital Lease or Finance Agreement:

The benefit of a Capital Lease or Equipment Finance Agreement (EFA) is that it can take advantage of Section 179: expense up to \$500,000 if the equipment is put in use before the end of the year. In addition, you may depreciate any excess on the depreciation schedule for that asset. Examples of Capital Leases include a \$1.00 Buyout Lease, an Equipment Finance Agreement (EFA), and a 10% Purchase Upon Termination (PUT) Lease. Example: Assume you finance business equipment and take advantage of Section 179. Your tax savings could be significant:

Tax Savings Example - Section 179 Deduction

Cost of Equipment:	\$	100,000.00
(Dollar for dollar phase out if over \$2,000,000)		
Section 179 Write-Off Amount	\$	100,000.00
Regular First Year Depreciation Deduction:	\$	-
Total First Year Deduction:	\$	100,000.00
Cash Savings on your Equipment Purchase:	\$	35,000.00
(Assuming a 35% Tax Bracket, Depreciation 5 years)		
Lowered Cost of Equipment after Tax Savings	\$	65,000.00



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 the specific impact to your business or visit www.irs.gov.**

Further Detail

Reminder: to take advantage of the tax incentives, your business equipment must be put in use by year-end. **You should contact your 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.

Act Now!

This incentive is only available through 2011. Acquire and put your business equipment to use before year-end! FOR MORE INFORMATION (FINANCING / LEASING YOUR EQUIPMENT CALL HORIZON KEYSTONE FINANCIAL AT 800-606-0049!!