

NEW Rules for Section 179 and Bonus Depreciation for 2011



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New Legislation, New Opportunities

In December 2010, Congress passed an extension of the Bush-era tax cuts for the next two years. That bill was a collection of changes in many tax laws which went far beyond maintaining current personal income tax.

\$500,000 Write-off

The Section 179 tax deduction allows companies to write-off up to \$500,000 of equipment if total acquisitions are less than \$2 million. If capital acquisitions exceed \$2 million, this write-off is reduced dollar for dollar. For instance, if a company acquires \$2,200,000 of equipment, it is able to write-off \$500,000 less \$200,000 (the amount of capital acquisition over the \$2 million limitation) for a net write-off of \$300,000. Once a company's capital acquisitions reach \$2.5 million, it no longer qualifies for any Section 179 deduction. Equipment which is new to a company (for example, buying a used machine), can be expensed under Section 179.

Example:

Estimated Machine Price (EMP)	\$700,000
Section 179 Deduction	- \$500,000
Balance to Depreciate via Bonus Depreciation (EMP - Section 179 Deduction)	\$200,000
Total First Year Deduction (Section 179 + Bonus Depreciation)	\$700,000
Assumed Customer Bracket	35%
TAX SAVINGS	\$245,000
Estimated # of machine payments covered by savings (on a 5-year lease/loan)	18

Get a **TAX BREAK** on your next machine tool purchase!



100% Bonus Depreciation

Last year's 50% bonus depreciation has been increased to a remarkable 100% write-off in 2011. There is no limitation on how much equipment may be expensed through bonus depreciation. However, used equipment may not be expensed under Bonus Depreciation.

Only in 2011

Section 179 will be dramatically reduced from \$500,000 this year to only \$125,000 in 2012; and the acquisition limit will drop from \$2 million this year to \$500,000 in 2012. The 100% bonus depreciation will be cut in half to 50% in 2012.



Please contact your 5SM W? SUZ] Wk Financial Services Expert XdfZWew rules for Section 179 and the Bonus Depreciation:

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