

## Section 179 Tax Deduction

### What is the Section 179 Deduction?

Section 179 of the IRS Tax Code allows a business to deduct, for the current tax year, the **full purchase price** of financed or leased equipment and off-the-shelf software that qualifies for the deduction. The equipment purchased, financed or leased must be within the specified dollar limits of Section 179, and the equipment must be placed into service in the same tax year that the deduction is being taken (for example, the equipment must be put into service between January 1st and December 31st of the year the deduction is to be taken.)

### Section 179 at a Glance (updated for Tax Year 2016)

#### 2016 Deduction Limit = \$500,000

This deduction is good on new and used equipment, as well as off-the-shelf software. This limit is only good for 2016, and the equipment must be financed/purchased and put into service by the end of the day, 12/31/2016.

#### 2016 Spending Cap on equipment purchases = \$2,000,000

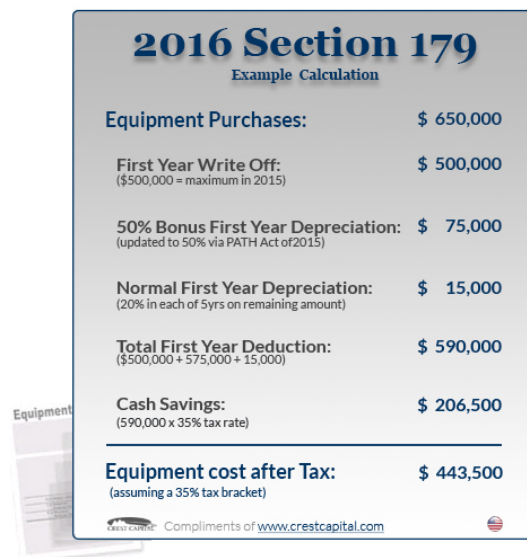
This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced on a dollar for dollar basis. This spending cap makes Section 179 a true "small business tax incentive".

#### Bonus Depreciation: 50% for 2016

Bonus Depreciation is generally taken after the Section 179 Spending Cap is reached. Note: Bonus Depreciation is available for new equipment only.

The above is an overall, "simplified" view of the Section 179 Deduction for 2016. For more details on limits and qualifying equipment, as well as [Section 179 Qualified Financing](#), please read this entire website carefully. We will also make sure to update this page if the limits change.

Here is an example of Section 179 at work during this 2016 tax year:



2016 Section 179	
Example Calculation	
Equipment Purchases:	\$ 650,000
First Year Write Off: <small>(\$500,000 = maximum in 2015)</small>	\$ 500,000
50% Bonus First Year Depreciation: <small>(updated to 50% via PATH Act of 2015)</small>	\$ 75,000
Normal First Year Depreciation: <small>(20% in each of 5yrs on remaining amount)</small>	\$ 15,000
Total First Year Deduction: <small>(\$500,000 + 575,000 + 15,000)</small>	\$ 590,000
Cash Savings: <small>(590,000 x 35% tax rate)</small>	\$ 206,500
<b>Equipment cost after Tax:</b> <small>(assuming a 35% tax bracket)</small>	<b>\$ 443,500</b>

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Find out the more and the most current information as well as calculate your estimated savings on the Section 179 website [http://www.section179.org/section\\_179\\_deduction.html](http://www.section179.org/section_179_deduction.html)