



# 2012 Tax Benefits

## Lower the True Cost of Ownership on Your Business Equipment

### Business Equipment – Section 179 Expensing Allowance \$139,000

IRS Section 179 is a tax law that encourages investment. It allows smaller businesses to immediately write off the full price of qualifying asset purchases (machinery, computers, and other tangible goods) rather than depreciating them over several years. Under the IRS Section 179, a taxpayer may expense up to \$139,000 of qualified equipment placed in service after December 31, 2011 and before January 1, 2013. The rules are designed for small companies, so the \$139,000 deduction phases out when a business purchases more than \$560,000 in one year. (Companies cannot write off more than their taxable income). Section 179 applies to new and used equipment purchases, but must be "new to the business".

### Bonus Depreciation – 50% for 2012

In 2012 businesses are encouraged to invest by allowing an additional first-year depreciation allowance of 50% for qualified investments made after December 31, 2011 and before January 1, 2013. Bonus depreciation is available for all businesses and is not capped at a certain dollar level however, only new property applies. Leasehold improvements no longer qualify for bonus depreciation in 2012.

### Benefits of Finance Agreements and Capital Leases

Maximize the tax benefit with a Group Financial Services finance agreement (conditional sales contract) or capital lease. Both allow a business to acquire equipment with a low monthly payment while taking advantage of the Section 179 - \$139,000 expensing allowance. Examples of capital leases include a \$1.00 buyout lease and a capitalized 10% purchase option lease.

**Example Calculations:** The sample calculation shows how taking advantage of Section 179 can significantly lower the true cost of equipment ownership. For the specific impact to your company, please contact your tax advisor.

Equipment Cost	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000
<b>Section 179 - 1st Year Write off:</b> (\$139,000 is the max in 2012)	\$50,000	\$100,000	\$139,000	\$139,000	\$139,000	\$139,000	\$139,000	\$139,000	\$139,000	\$139,000
<b>50% Bonus Depreciation</b> (50% of remaining value after \$139,000 Sec. 179)	\$0	\$0	\$5,500	\$30,500	\$55,500	\$80,500	\$105,500	\$130,500	\$155,500	\$180,500
<b>Normal 1st Year Depreciation</b> (Depreciation calculated at 5 years = 20%. Amount remaining after Bonus Depreciation x 20%)	\$0	\$0	\$1,100	\$6,100	\$11,100	\$16,100	\$21,100	\$26,100	\$31,100	\$36,100
<b>Total 1st Year Deduction</b> (Sec. 179 + 50% bonus depr. + 1st year depr.)	\$50,000	\$100,000	\$145,600	\$175,600	\$205,600	\$235,600	\$265,600	\$295,600	\$325,600	\$355,600
<b>Tax Savings Assuming Rate of 35%</b>	\$17,500	\$35,000	\$50,960	\$61,460	\$71,960	\$82,460	\$92,960	\$103,460	\$113,960	\$124,460
<b>Equipment Cost After 1st Year Tax Savings</b>	\$32,500	\$65,000	\$99,040	\$138,540	\$178,040	\$217,540	\$257,040	\$296,540	\$336,040	\$375,540

**Note:** For complete details, or changes to the tax incentives, please visit [www.irs.gov](http://www.irs.gov) or contact the IRS helpline at: **800-829-4933**

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