

DEPRECIATION MADE EASY FOR 2017

If your eyes glaze over when you read the word "depreciation" you are not alone. While depreciation is simply deducting the cost of business equipment over time, special tax provisions allow flexibility in how much can be expensed in a given year.

The first solution is the Section 179 deduction. You are able to write off the full (versus depreciated) cost of qualified new or used business equipment, up to \$510,000 during 2017. The equipment must be purchased and placed in service by the end of the year to qualify. If your total business equipment acquisitions exceed \$2,030,000, then the deduction is limited dollar-for-dollar for purchases in excess of that amount. For example, if in 2017 you have \$2.2 million of qualified equipment purchases, the most you can deduct under Section 179 is \$340,000.¹

When you have maxed out the Section 179 deduction, you then turn to "bonus" depreciation. It's a bonus in the sense that instead of deducting the cost of equipment over its useful life (as defined by the IRS), you can immediately deduct 50% of it in the first year. Keep in mind, unlike Section 179 property, this is for new equipment purchases only.

What's more, you can double-dip your deductions using both Section 179 expensing and bonus depreciation in the same year. For example, assume you purchase a qualifying new machine costing \$1 million. You can write off \$510,000 under Section 179, then 50% of the balance (\$245,000) under bonus depreciation rules, for a total deduction of \$755,000.

The bonus depreciation rate drops to 40% in 2018, so this might be a good year to make a major equipment purchase. Give our office a call to consider your various options. (1702)

¹ Calculation:

\$2,200,000 - 2,030,000 = \$170,000 excess purchases

\$510,000 - \$170,000 = \$340,000 available Section 179 deduction