America's Small Business Tax Relief Act of 2013
Section 179 Depreciation Benefit

Introduction

Business owners who acquire equipment or software for their businesses usually prefer to deduct the cost in a single tax year, rather than a little over a number of years. This deduction is known by it section in the tax code: Section 179. Under 179, you can elect to recover all or part of the cost of certain qualifying property, up to a limit, by deducting it in the year you place the property in service instead of recovering the cost by taking depreciation deductions.

For the tax year 2013, Section 179 now provides that the maximum amount a taxpayer may expense is $500,000 of the cost of qualifying property placed in service for the taxable year. The $500,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $2,000,000.

For investments placed in service after December 31, 2011 and through December 31, 2013, the bill provides for an additional 50% bonus depreciation over the initial $500,000 cap on new equipment or software. The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income (determined after application of the investment limitation) derived from the active conduct of any trade or business during the tax year.

For example, if you invest in a new software package and install it in 2013, you are eligible to take a tax deduction in that respective year. See the following chart to see the benefits of purchasing this year and utilizing the Section 179 Tax advantage.

Consider the following examples:	Example #1	Example #2
	Without 179	**With 179**
Acquisition cost of qualifying property	$70,000	$70,000
1st Year Write-off: Maximum Tax Code 179	-0-	**$500,000**
Amount exceeding threshold	-0-	-0-
179 Bonus 50% 1st Year Depreciation on Balance	-0-	-0-
Normal 1st Year Depreciation*	$14,000	$14,000
Total 1st Year Deduction	$14,000	$70,000
Cash Savings on Purchase (assuming 28% tax bracket)	**$3,920**	**$19,600**
Lowered Cost of Purchase After Tax Savings in 2013	**$66,080**	**$50,400**

* Normal Depreciation calculated at 5 years = 20% per year

* Not all states follow federal law. Contact your tax advisor for specific information regarding IRS Section 179 and all accounting procedures. You can also go to **www.Section 179.org** for more information. *Qualified property is tangible, personal property with a MACRS recovery period of 20 years or less.*

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