

Important Equipment Tax Benefits

An extension of The Small Business Jobs & Credit Act of 2010 provides key tax incentives for investments in new business equipment. This legislation gives business owners additional tax deduction and depreciation opportunities through December 31, 2012.

Tax benefits extended: what they mean to your business

The Tax Code Section 179 deduction for qualified equipment has recently been extended and increased to \$500,000. This means businesses can write off up to \$500,000 of qualified equipment within the 2010 and 2011 tax years. The Act includes:

- A 100% bonus depreciation deduction plus the normal accelerated depreciation on the balance of the cost. This benefit applies to qualified new equipment acquired and placed in service after September 8, 2010 and before January 1, 2012.
- A 50% first year additional bonus depreciation deduction for investments placed in service after December 31, 2011 and through December 31, 2012.

Qualified equipment under Section 179 includes:

- Equipment (machines, etc.) purchased for business use.
- Tangible personal property used in business.
- Business vehicles with a gross vehicle weight in excess of 6,000 lbs.
- Computers and computer software (off the shelf).
- Property attached to the business building that is not a structural component of the building.

Contact your U.S. Bancorp representative to learn more.

Example illustrating potential tax savings with Section 179

Cost of equipment	\$300,000
1st year write-offs	
• Section 179	\$300,000
• Bonus depreciation ¹	-
Total deduction in 1st year	\$300,000
Marginal tax rate assumed 35%²	\$105,000
Bottom line equipment cost after tax savings	\$95,000

This example assumes equipment purchased and placed in service between 9/9/2010 and 12/31/2011.

¹ 100% bonus depreciation after Section 179 deduction.

² Tax savings are assuming a 35% tax bracket.

Additional details:

- The deduction begins to phase-out dollar for dollar after \$2 million of qualified equipment is purchased during the year. Equipment acquisitions totaling \$2.5 million or more do not result in any Section 179 deduction.
- The maximum amount and phase-out thresholds for taxable years beginning in 2012 will be \$125,000 and \$500,000 respectively, indexed for inflation.
- \$1 buyout leases and EFAs qualify for Section 179 benefits.

For additional information, please visit www.irs.gov.

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