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SECTION 179 AND BONUS DEPRECIATION TAX INCENTIVES FOR 2013

IN THE 2013 EXTENSION OF SMALL BUSINESS JOBS ACT:

- Section 179 allows a company to deduct the first \$500,000 of equipment purchased in 2013 from their taxable income.
- Bonus Depreciation for equipment purchased between Jan. 1, 2013 and Dec. 31, 2013 remains at 50%.
- Limit on capital purchases was raised to \$2 million for 2013.

HERE'S HOW IT WORKS:

Cost of machine	\$250,000	\$650,000
1st Year Write-offs		
• Section 179	\$250,000	\$500,000
• Bonus Depreciation	\$0	\$75,000
• MACRS Depreciation	\$0	\$10,718
Total Deduction 1st Year	\$250,000	\$585,718
Tax Dollars Saved¹	\$85,000	\$199,144
Bottom Line Cost after Tax Savings	\$165,000	\$450,856

In this example, for a \$250,000 and \$650,000 machine, your tax savings equates to an increased cash flow of \$85,000 and \$199,144. That's money in your pocket.

¹Tax savings assume a 34% tax bracket. Be sure to consult with your tax advisor for specific advice.

As part of The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (H.R. 4853), an extension of the Small Business Jobs and Credit act of 2010's 'bonus depreciation' allowance has been included that allows 50 percent bonus depreciation for investments like company vehicles and equipment placed in service after Jan. 1, 2013 through Dec. 31, 2013. For bonus depreciation, equipment must be new and put to use in the U.S.

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