



# A BUSINESS OWNER'S GUIDE TO UNDERSTANDING SECTION 179

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Plus Equipment Finance Options to Maximize Cash Flow

Learn how we can help or for a no-obligation quote, contact us at [866.781.4682](tel:866.781.4682) or visit our website, [www.connexfinancial.com](http://www.connexfinancial.com).

As a business owner, the old adage still rings true: you have to spend money to make money.

Want to increase your efficiency? You'll need to purchase new machine tools. Want to make sure your printing company is keeping up with the competition? You'll have to update your printers. With each equipment purchase, you expose yourself to depreciation, and your cash flow becomes more constrained. The result: You overextend your enterprise financially, taking your focus off of what you do best: adding value to our economy.

Enter Section 179, a section of the U.S. tax code aimed at solving that problem. Begun in 1981 as part of the Reagan Administration's Economic Recovery Tax Act, Section 179 was envisioned as a way to stimulate the economy by encouraging business owners to make capital investments.

When a business owner deducts the cost of their equipment, they boost their bottom-line. That's because they lower the amount they pay for each piece of equipment, up to \$2 million in total equipment purchases in a given year. To claim the benefits of Section 179, a business owner must simply fill out IRS Form 4652 and file it with the rest of their tax documents.

## HOW SECTION 179 CAN HELP YOUR BUSINESS TODAY

Since the 1980s, this section of the tax code has undergone a myriad of changes. Typically, those changes come out of Washington, D.C., annually, and they've even changed during the middle of the year.

As of January 1, 2013, Congress continued to tinker with Section 179. As part of their fiscal cliff fix, Congress enhanced Section 179, making it possible for you to realize more valuable tax savings for this year, as well as tax year 2012. Specifically, the deduction limits and bonus depreciation have been increased and extended, with potential benefits for your business equipment and most software purchases last year and in the coming year.



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## MUST-KNOW UPDATES TO SECTION 179 FOR 2013

Here are the details you need to know.

- **The Section 179 amount increased.** As of January 1, 2013, allowable expensing increased from \$139,000 to \$500,000. This allows you to realize more tax savings on qualifying equipment purchases made in 2012 and 2013.
- **The limit on capital purchases was extended.** As part of Congress's deal, the deduction limit is \$2 million for 2013, up from \$560,000 prior to the 2009 stimulus package amount.
- **Bonus depreciation is boosted.** Bonus depreciation for new equipment purchased will remain at 50 percent (in 2011, the amount was 100 percent—though 2012's 50 percent was previously scheduled to expire at the end of 2012). Qualifying equipment and property purchased must be placed into service by the end of 2013. It must be new and put to use in the U.S. We recommend consulting with your tax advisor for specific tax advice for your situation.

## EXAMPLES OF QUALIFYING AND NON-QUALIFYING PURCHASES

| QUALIFYING PURCHASES   | NON-QUALIFYING PURCHASES   |
|--|--|
| <ul style="list-style-type: none"><li>• Computers</li><li>• Office furniture</li><li>• Office equipment</li><li>• Large manufacturing tools</li><li>• Large business vehicles*</li></ul> | <ul style="list-style-type: none"><li>• Air conditioning equipment</li><li>• Heating equipment</li><li>• Property used to furnish lodgings</li><li>• Property used outside the U.S.</li><li>• Land</li></ul> |

*\*Defined as having a gross vehicle weight over 6,000 pounds*

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## CASE STUDY: HOW SECTION 179 AFFECTS PURCHASE PRICE

|   |                         |                                   |
|---|-------------------------|-----------------------------------|
| Cost of machine   | \$250,000               | \$650,000                         |
| 1st Year Write-offs   |                         |                                   |
| <ul style="list-style-type: none"> <li>• Section 179</li> <li>• Bonus Depreciation</li> <li>• MACRS Depreciation</li> </ul> | \$250,000<br>\$0<br>\$0 | \$500,000<br>\$75,000<br>\$10,718 |
| Total Deduction 1st Year  | \$250,000               | \$585,718                         |
| <b>Tax Dollars Saved<sup>1</sup></b>  | <b>\$85,000</b>         | <b>\$199,144</b>                  |
| Bottom Line Cost after Tax Savings  | \$165,000               | \$450,856                         |

<sup>1</sup>Based on 35 percent tax rate.

## HOW CONNEXT CAN HELP YOU TAKE ADVANTAGE OF SECTION 179

In 2012, we saw a big push to retain liquid cash, while keeping technology current and maximizing efficiencies. As this trend moves into 2013, utilizing the Section 179 tax benefits and Bonus Depreciation makes this possible. Connex has the tools (such as 100% financing with fast turnaround time, flexible structures, and competitive rates) to help get the equipment you need on the floor, while actually providing a positive net benefit to your cash flow.

Though not all lease agreements allow for the Section 179 and Bonus Depreciation tax benefits, your Connex Financing Expert can help you select the best equipment financing options to help you optimize your tax picture. We realize no two customers are alike, and nor are your finance needs. We can build custom finance programs to fit your specific business needs.

Contact your Connex Financing Expert to learn more about how the Section 179 updates can work for you as you plan for your 2013 equipment purchases or leases. Connex has the experience to structure a program to meet your needs. It's what we do everyday. Our goal is to get you to "yes" fast. Want to see your tax savings? Use our **Section 179 calculator** to calculate your potential tax savings with Section 179 and Bonus Depreciation. **Visit: [www.connexfinancial.com](http://www.connexfinancial.com)**



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