

## Section 179 Deductions Increased for 2011!

### Business Equipment

Business owners, who acquire equipment including machinery, computers, and other tangible goods, usually prefer a substantial deduction in a single tax year, rather than spreading the deduction over a number of years. This accelerated deduction is known by its section in the tax code: Section 179 Deduction. The Tax Relief Act of 2010 increases the amount of qualified equipment that a business can expense under Section 179 to **\$500,000**. The total amount of equipment that qualifies has also been increased to **\$2 million**. This incentive is for equipment placed in service by December 31<sup>st</sup>, 2011.

### Bonus Depreciation 2011

The law also increases the bonus depreciation to **100%** in 2011 for qualifying assets. The bonus depreciation is limited to new equipment only.

### Benefits of a Non-Tax/Capital Lease or Loan

The benefit of a **Non-Tax /Capital Lease or Loan** is that it can take full advantage of the Section 179 deduction; expensing up to \$500,000, as long as the equipment is placed in service by December 31<sup>st</sup> 2011. Examples of Non-Tax/Capital Leases and Loans include a \$1.00 Buyout Lease, a 10% PUT (Purchase Upon Termination) Lease, and a Loan (Promissory Note and Security Agreement).

<b>Equipment Cost Examples:</b>	<b>\$60,000</b>	<b>\$250,000</b>	<b>\$650,000</b>
<b>Section 179 Write Off:</b> ( <small>\$500,000 is the maximum Section 179 write-off in 2011</small> )	\$60,000	\$250,000	\$500,000
<b>100% Bonus Depreciation:</b> ( <small>On remaining Equipment Cost: \$500,001 - \$2 Million</small> )	N/A	N/A	\$150,000
<b>Total 1<sup>st</sup> Year Deduction:</b>	\$60,000	\$250,000	\$650,000
<b>Tax Savings Assuming 35% Tax Rate:</b> ( <small>Total 1<sup>st</sup> year deduction x .35</small> )	\$21,000	\$87,500	\$227,500
<b>Net Equipment Cost after Tax Savings:</b> ( <small>Equipment Cost – Tax Savings</small> )	\$39,000	\$162,500	\$422,500

\*The tax savings may be enough to offset up to 100% of your 1<sup>st</sup> year's lease payments

**Contact Bryce Bailey for a no obligation financing quote**  
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