



# Section 179 Tax Deduction



## Don't miss out on valuable tax benefits in 2023!

Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the 2023 tax year. This means if you purchase qualifying equipment, you can deduct the full cost of that equipment from your gross income. It's an incentive created by the federal government to encourage companies to buy equipment and invest in their business. Equipment must be purchased and placed into service by midnight on December 31, 2023, so plan now to capitalize on Section 179 for your business!

### Section 179 Tax Deduction

- For 2023, the maximum amount you may elect to deduct is \$1,160,000 on qualifying new or used equipment as well as off-the-shelf-software.
- The maximum equipment investment amount eligible for the full deduction is \$4.05 million before the Section 179 deduction begins to be reduced on a dollar for dollar basis. This spending cap makes Section 179 a true "small business tax incentive."

### Bonus Depreciation

- Bonus depreciation allows qualifying businesses that spend more than the Section 179 limit to depreciate up to 80% on the remaining purchase amount.
- After Section 179 deductions are taken by a small business, bonus depreciation may be applied to further accelerate depreciation.
- Bonus depreciation is reducing in the coming years. What this decrease means is that businesses will not be able to deduct as much of the purchase cost of new or used equipment during the tax year that they bought it. For companies investing in new equipment, this change could affect your cash flow by causing higher tax payments than in previous years.

### SECTION 179 DEDUCTION AND BONUS DEPRECIATION CALCULATOR (ENTER COST OF EQUIPMENT BELOW)

Enter cost of equipment here:	
<b>FIRST YEAR WRITE-OFFS</b>	
• Section 179	
• 80% bonus depreciation	
Total first year deduction	
Potential tax savings in 2023*	
Equipment cost after tax savings	

**CALCULATE**

**RESET**

*\* Tax savings assume a 35% tax rate  
Please note, this example should not be interpreted as actual accounting results, it is simply provided as a guide. Please consult a tax advisor to determine the tax ramifications of acquiring equipment or software for your business.*

### WHAT THIS CHANGE MEANS FOR YOU

	<u>Year</u>	<u>Max Bonus Depreciation</u>
If you will need more equipment in 2023, consider purchasing it and putting it into service before 2023 ends to take advantage of the higher deduction allowed.	<b>2022</b>	<b>100%</b>
	<b>2023</b>	<b>80%</b>
	<b>2024</b>	<b>60%</b>
	<b>2025</b>	<b>40%</b>
	<b>2026</b>	<b>20%</b>

Annual Max Bonus Depreciation Chart to the right

