

Wells Fargo Equipment Finance

# Take advantage of the increased Section 179 expense allowance

Now may be the time for your company to purchase new equipment and take advantage of the Section 179 expense deduction and bonus depreciation benefits available under the Protecting Americans from Tax Hikes Act of 2015.

## Section 179

The Section 179 deduction limit for 2016 is \$500,000. This means your company can deduct the full cost of qualifying new or used equipment from your 2016 taxes, up to \$500,000. Phase-out of the deduction starts at \$2 million for total equipment purchases and is on a dollar-for-dollar basis. To take advantage of these Section 179 limits for 2016, the equipment must be purchased and put into service by December 31, 2016.

## Bonus Depreciation

Bonus depreciation is extended through 2019. Businesses of all sizes will be able to depreciate 50% of the cost of new equipment acquired and put in service during 2015, 2016, and 2017. Then bonus depreciation will phase down to 40% in 2018 and 30% in 2019.

## Many types of equipment may qualify:

- Material handling equipment
- Compact construction equipment
- Light industrial equipment
- Plant maintenance equipment
- Surveying equipment
- Production equipment
- Medical equipment & technology

## What does this mean for your customers?

- More economical to upgrade equipment
- Lower tax liability for the year conserves working capital for other immediate business needs
- Many leasing or financing options can be utilized while taking advantage of the tax incentives

## 2016 Section 179 and bonus depreciation example calculation

Total 2016 equipment investment	\$750,000
Section 179 deduction limit	\$500,000
20% MACRS depreciation (assuming a 5-year life and \$250,000 remaining basis)	\$50,000
Additional 50% bonus depreciation	\$100,000
Total 2016 tax deduction: \$500,000 + \$50,000 + \$100,000	\$650,000
Potential tax savings in first year (assuming a 35% tax rate)	\$227,500



Call us today to help your customers invest in their business by offering them the right financing options.

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1-866-522-7248

