

The lowdown on the new Section 179 deduction. Can it help you increase sales in 2016?



US EQUITY FUNDING, LLC

What if you could sell more equipment in 2016 at the same or better margins while your customers enjoyed a lower net investment. What if your customers could have more or better revenue producing equipment in-service without spending more total money? They can.

In December, Congress brought back the strength of the Section 179 Tax Deduction for businesses. Under the "Protecting Americans from Tax Hikes Act of 2015," the Section 179 limit is expanded to \$500,000 with additional benefits of bonus depreciation for amounts over \$500,000. The new law will make this a permanent change and that is really big news for your sales growth.

The Section 179 deduction often allows small businesses (subject to specific limitations) to deduct upfront, rather than depreciate over a number of years, the cost of equipment such as computers, vehicles, manufacturing equipment, farm machinery, office furniture, etc. Combined with the benefits of bonus depreciation and the incentive to acquire equipment and stay on the cutting edge of technology by continuing to buy equipment is significant.

Each year these assets need to be purchased and put into service by Dec. 31 to qualify for taking the deduction in that tax year. Please also note that businesses exceeding a total of \$2 million of purchases in qualifying equipment will have the Section 179 deduction phase out dollar-for-dollar and completely eliminated above \$2.5 million. Additionally, under this new law, the Section 179 cap will be indexed to inflation in \$10,000 increments in future years. 50% Bonus Depreciation will also apparently be extended under this legislation through 2019, and will be phased down to 40% in 2018 and 30% in 2019.

{ Section 179 Example }

Purchase Price - \$50,000

Bonus Depreciation - \$0

Normal 1st Year Depreciation - \$0

Total 1st Year Deduction - \$50,000

Cash Savings on Purchase - \$17,500

Lowered Cost of Equipment - \$32,500

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Sell more equipment in 2016 at a lower net investment to your customers without losing margin, cont'd.

The impressive economics of the tax benefit might lead customers to rethink equipment life cycle strategies. Acquiring equipment for a lower net investment might allow them to consider replacing equipment more frequently, upgrading to more effective technologies and reducing the operating expenses associated with running equipment longer. By working closely with their tax advisor, your equipment sales team and an experienced equipment financier, they might be able to put more or better revenue producing equipment in-service.

At US Equity Funding, we work with equipment sales teams every day to maximize every opportunity to increase sales with a simple, fast process. If you'd like to discuss how to leverage Section 179 to fuel your growth in 2016, give us a call.

{ Section 179 Example }

Purchase Price - \$600,000

Section 179 Deduction - \$500,000

Bonus Depreciation - \$50,000

Normal 1st Year Depreciation - \$10,000

Total 1st Year Deduction - \$560,000

Cash Savings on Purchase - \$196,000

Lowered Cost of Equipment - \$404,000

