

POWERFUL TAX INCENTIVES FOR EQUIPMENT PURCHASES ENACTED IN 2010

100% BONUS DEPRECIATION THROUGH 2011, 50% BONUS DEPRECIATION IN 2012 INCREASED SECTION 179 "SMALL BUSINESS" EXPENSING THROUGH 2011

- ✓ 100% Bonus Depreciation can be taken on new equipment purchased and placed in service after September 8, 2010 and through December 31, 2011. For 2010 purchases prior to September 8, 50% bonus depreciation applies. For the 2012 tax year, 50% bonus depreciation on new equipment purchases is allowed. Unlike Sec. 179 (see below), there is no cap on the amount of equipment that can be depreciated under this bonus depreciation provision.
- ✓ The boost to \$500,000 in Section 179 expensing is extended for new and used equipment purchases ordered and placed in service in the 2010 and 2011 tax years. Moreover, the cap on how much equipment can be purchased to fully enjoy the write-off increases to \$2 million (after which the amount that can be deducted phases out dollar for dollar).

Here's how the new provisions work for you and your customers:

Let's assume that the Peekless KeyHole Co. retools their facility with **NEW** equipment totaling \$800,000. Under the new law, Peekless can **write off 100%** (\$800,000) of the asset in the first year.*

Now assume that the Peekless KeyHole Co. retools their facility with **USED** equipment totaling \$800,000. Under the new Section 179 extension, Peekless can **write off 68%** of the asset in the first year, **as opposed to 27%** had enhanced Section 179 not been enacted for the 2010/2011 tax years.*

*In 2012, if the \$500,000 purchase is **NEW** equipment, Peekless can **write off 68%** of the asset using 50% bonus depreciation together with a lower Sec. 179 allowance (\$125,000 for purchases up to \$500,000).*

100% BONUS DEPRECIATION/SECTION 179 BOOST THROUGH 2011

Companies, whose total equipment purchases (new and used) don't exceed \$2 million, can expense the first \$500,000 of their used equipment purchases for the 2010 and 2011 tax years. For new equipment, 100% of the purchased equipment can be expensed in the first year with no cap on the amount.

\$800,000 NEW Machine

NEW 2010/2011

100% Bonus Depreciation	= \$800,000
TOTAL First-year Deduction	= \$800,000 – 100% write-off in 1 st yr.

\$800,000 USED Machine

NEW 2010/2011 LAW - \$800,000

Sec. 179 Deduction	= \$500,000
PLUS 14% on remaining basis (\$300K)	= \$ 42,000
TOTAL 2010/2011 Deduction	= \$542,000 – 68% write-off in 1 st yr.

IN 2012, 50% BONUS DEPRECIATION COMBINES WITH A LOWER SEC. 179 ALLOWANCE

A lower Sec. 179 allowance (\$125,000 on purchases up to \$500,000) can be combined with 50% Bonus Depreciation on NEW equipment purchases in 2012.

\$500,000 NEW Machine

2012 Sec. 179 Deduction	= \$125,000
PLUS 50% Bonus Depreciation on remaining basis (\$375K)	= \$187,500
PLUS 14% on 1 st year basis (\$187,500)	= \$ 26,250
TOTAL 2010 Deduction	= \$338,750 – 68% write-off in 1 st yr.

* Examples assumes a 7-year asset depreciation class