



IRS Section 179: Tax Savings for All U. S. Businesses

Want to acquire new equipment? Want to save on your taxes? Don't have the cash?

Imagine if your equipment supplier was offering you a 35% discount!

Does this sound too good to be true? Well, they may not be offering these discounts, but you can save that kind of money on your 2007 taxes by utilizing this section of the tax code. After December 31, 2007, it's gone for this year.

Under IRS Section 179, equipment purchases of up to \$125,000* can be expensed (deducted from taxable income) in the first year eligible property is placed in service in a trade or business. The deduction is eligible through 2007. Certain **Leases** and **Finance Agreements** qualify for this deduction. This means you don't have to come up with the cash to get the entire benefit. Certain computer software also qualifies.

The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income (determined after application of the investment limitation) derived from the active conduct of any trade or business during the tax year. However, if you are a Sole Proprietorship, your spouse has W-2 income, and you file jointly, you may be eligible for the entire deduction even though the cost of the equipment exceeds your Schedule C taxable income. Costs disallowed under this rule may be carried forward an unlimited number of years subject to the ceiling amount for each year.

Consider the following examples:

	Example #1	Example #2
Cost of new equipment	\$15,000	\$ 50,000
1st Year Write-off: Maximum Tax Code 179 *	\$125,000	\$125,000
Maximum Section 179 Deduction *	\$125,000	\$125,000
Less 179 Deduction *	\$15,000	\$50,000
Total Deduction 1st Year	\$15,000	\$50,000
Marginal Tax Rate (Assumed)	35%	35%
Total out of pocket for 2007 (Assumes 36 Mo. lease funds 9/30/2007)	\$1,636.65	\$5,097.00
Your 2007 actual Tax Savings (money you don't send to Uncle Sam)	\$5,250.00	\$17,500.00

* Section 179 deductions for 2007 will be indexed for inflation.

Please consult your tax advisor regarding IRS Section 179 and all accounting procedures.

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