

Current Tax Rules 2012

The Section 179 deduction applies to new or used equipment purchased. Starting on January 1, 2012, the Section 179 deduction will be \$139,000. This deduction starts to reduce if the aggregate annual value of equipment purchased exceeds \$560,000. The Section 179 deduction reduces dollar for dollar for every dollar of equipment value over \$560,000 purchased during the year.

Previous Tax Rules 2010 & 2011

The Section 179 deduction applies to new or used equipment purchased in 2010 and/or 2011. The amount of direct expensing allowed was limited to \$500,000. This deduction starts to reduce if the aggregate annual value of equipment purchased exceeded \$2,000,000. The Section 179 deduction reduces dollar for dollar for every dollar of equipment value over \$2,000,000 purchased during the year. Please see our article on this subject for more details - <http://www.advocatetax.com/3139/bonus-depreciation-returns-for-2010/>.

IMPORTANT - This expensing deduction can only be used to offset taxable income therefore it is important to discuss this item with your tax advisor to determine how it applies to your situation. Proper ownership structure is key.