

2017 Section 179 and Bonus Deductions

Qualifications:

Taxpayers other than an estate or trust may claim a current deduction under Code Section 179.

New or used equipment, computers, off-the-shelf software (not custom designed), office furniture and equipment, and property attached to a building which is not a structural component of the building which is placed into service between January 1, 2017 and December 31, 2017 are eligible for a deduction for 2017.

Limitations:

The maximum Section 179 Deduction is \$510,000 for 2017 and the maximum amount you can spend on qualifying purchases is \$2,030,000 before the Section 179 Deduction available to your company is reduced on a dollar-for-dollar basis. No Section 179 Expense Deduction will be allowed if qualifying purchases exceed \$2,540,000. The Section 179 cap will be indexed to inflation in \$10,000 increments in future years.

The total cost of property which may be expensed under Section 179 cannot exceed the total amount of taxable income during the tax year.

Bonus Depreciation:

Bonus depreciation is available for **NEW** property (original use must begin with the taxpayer), but not used property. Examples typically include machinery, equipment, or software, and improvement property as long as the tax depreciable life is 20 years or less. If you chose to elect bonus depreciation on an asset with a certain depreciable life (i.e. 5 years), you must take bonus on all other new assets (i.e. 5-year property) purchased with the same depreciable life. A taxpayer may elect out of the Bonus Depreciation deduction.

Vehicles Section 179 and Bonus Depreciation Deduction:

For passenger vehicles, trucks, and vans that are used more than 50% for qualified business use, the total deduction for depreciation including both the Section 179 expenses as well as Bonus Depreciation is limited to \$11,160 for cars and \$11,560 for trucks and vans. Certain vehicles (with a gross vehicle weight rating above 6,000 lbs but no more than 14,000 lbs) qualify for expensing up to \$25,000.

State Limitations:

Many states have not elected to adopt the Federal Section 179 or Federal Bonus provisions. It is important to check your state laws on Section 179 and Bonus Deduction.

Information summarized by Rosene, Pickhinke, Peters & Co. P.C. based on journalofaccountancy.com and checkpoint.riag.com.

This information does not constitute tax advice or a tax opinion. Please consult your tax advisor to discuss whether, or to what extent, these deductions may apply to your business.

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