



The Section 179 Tax Deduction is Shrinking: What to Do Before 12/31/2011

Tax planning at the end of this year is more important than ever. That's because the generous tax breaks that have been available to small and medium-sized businesses over the past couple of years will be decreasing dramatically in 2012.

In October 2011, the Associated Press reported that the IRS is making drastic changes to the Section 179 tax deduction. These changes may have a significant impact on businesses like yours in the years to come. This Balboa Capital whitepaper will help you understand exactly how the new Section 179 changes will affect your business, and what steps you can take to maximize your tax benefits before the end of 2011.

The New Section 179 Deduction

Section 179 of IRS Code allows businesses to deduct, rather than depreciate, the costs of assets acquired for business use as expenses in the year the equipment is purchased. In other words, instead of deducting the cost of a piece of equipment over a number of years, your business can write off the entire purchase price in the year it is acquired and put into service.

The current Section 179 tax deduction allows companies to deduct up to \$500,000 worth of equipment purchased for business use. Also available is a bonus depreciation that allows businesses to take a deduction for equipment purchases beyond the amount allowed under Section 179. Currently the bonus depreciation is 100% with a maximum combined deduction of \$2 million.

Unfortunately, the large tax breaks available to your business in 2011 will expire at the end of the year. In 2012, the Section 179 deduction limit will drop to \$125,000. Furthermore, the bonus depreciation will reduce to 50%. These big changes make 2011 year-end tax planning for your business extremely important.

Goodbye Deductions... Hello New Equipment

If you purchase equipment for your business and put it into service before December 31, 2011, you can take advantage of the higher Section 179 deduction limits. So, if you've been considering acquiring new equipment for your business, now is the time to get it.

By leveraging the Section 179 tax breaks, you also free up cash to invest back into your growing business.



Slow or outdated equipment and technology can affect the way your business runs. It's important that your company acquires the equipment it needs to remain competitive in today's dynamic and competitive business environment. From now through December 31, 2011, you can put new equipment to work for your business and receive the largest Section 179 tax benefits we've seen in years.

By leveraging the Section 179 tax breaks, you also free up cash to invest back into your growing business. The savings you accrue can be used to pay employee salaries, increase marketing efforts, or fund expansion projects.

Below is an example of how much a business can save on equipment acquisitions thanks to the Section 179 tax deduction in 2011.

Equipment Purchases In 2011:	\$800,000.00
Section 179 Deduction:	\$500,000.00
100% Bonus Depreciation: <i>(on remaining amount exceeding \$500,000)</i>	\$300,000.00
Regular First Year Depreciation Deduction:	\$0.00
Total First Year Deduction:	\$800,000.00
Cash Savings on your Equipment Purchase: <i>(assuming a 35% tax bracket)</i>	\$280,000.00
Lowered Cost of Equipment after Tax Savings: \$520,000.00	

What Equipment Qualifies For The Section 179 Tax Deduction?

Because Section 179 was specifically designed to help spur business growth and increase purchasing power, nearly all types of equipment qualify for the tax savings. Eligible equipment is generally limited to tangible, depreciable property that is acquired for business use.

Equipment that qualifies for the Section 179 deduction includes:

- **Equipment purchased for business use, such as machinery**
- **Computers**
- **Computer software**
- **Business vehicles**
- **Office equipment and office furniture**

Not every business will receive the same benefits from the Section 179 deduction and bonus depreciation. It is important to consult with your tax advisor because every business has its own unique financial situation.

The only way to lock in large tax deductions for your business is to acquire equipment and get it up and running before 12/31/2011.



2013 Meet 2002

As you know, the IRS business tax codes are constantly changing. Tax savings seen one year are not necessarily guaranteed the next. In fact, by 2013 the Section 179 tax breaks will be rolling back to \$25,000, which is the deduction we saw in 2002.

Knowing that the Section 179 deduction and bonus depreciation are going to drastically shrink in the coming years, you should seriously consider acquiring the equipment your business needs before the end of 2011. The tax savings available to you this year are not guaranteed in 2012 and beyond. The only way to lock in large tax deductions for your business is to acquire equipment and get it up and running before 12/31/2011.

Leasing Affords Your Business More Benefits

Acquiring new equipment for your business can be very expensive. By leasing your equipment, you can fully leverage the tax breaks under Section 179 without having to make a 100% cash payment. Leasing allows you to keep your cash and credit lines open to help pay for everyday expenses, or to put toward growth opportunities.

Balboa Capital is fully aware and knowledgeable of the tax savings available to your business through Section 179. We have helped many thousands of businesses lease much needed equipment and take full advantage of these generous tax deductions.

Learn how much you can save on your business equipment acquisition in 2011. Estimated tax savings are just a click away with [Balboa Capital's Tax Calculator](#).

For over two decades America's small and medium sized businesses have trusted Balboa Capital with their equipment financing needs to fuel their growth and success.



About Balboa Capital

Balboa Capital is one of the largest privately-held independent finance companies in the United States delivering access to capital, speed of processing, dependable funding, industry-leading technology and innovative marketing tools that small and medium-sized customers require to fuel their growth and success. Celebrating 23 years in business in 2011, Balboa Capital markets its products through their small ticket, middle market and vendor sales channels. For more information, please visit www.balboacapital.com. You may also follow Balboa Capital on [Facebook](#) and [Twitter](#).