2016 Section 179 Tax Deduction Opens the Door to Substantial Technology Investment

This year, small and mid-size businesses deduct up to 20X more in computers and software purchased using a much larger section 179 tax deduction

If you have been putting off a substantial computer systems upgrade, 2016 is an excellent year to move forward and begin enjoying the full benefits of modern technology. The break you have been waiting for is here in the form of a greatly expanded Section 179 tax deduction.

The "Protecting Americans from Tax Hikes Act of 2015" (PATH Act) became law on December, 18, 2015. The bill increased the Section 179 deduction limit from $25,000 to $500,000 a 20-fold increase. Although the boost to $500,000 was made retroactive to 2015, it came too late in the year to plan major technology purchases.

As it now stands, Section 179 will remain at the $500,000 level permanently. And, the spending cap where the Section 179 deduction will phase out dollar-for-dollar, has been increased from $200,000 to $2 million. Additionally, future Section 179 caps will be indexed to inflation in increments of $10,000.

Finally, Bonus Depreciation, unavailable last year, has been reinstated for 2016. Bonus Depreciation is taken after the Section 179 Spending Cap is reached. The 50% Bonus Depreciation will be extended through 2019 but will phase down to 40 percent in 2018 and 30 percent in 2019.

Increase the Bottom Line

The greatly enlarged 2016 Section 179 deduction is great news for business, but it gets better. Many business owners find that, if they lease or finance their Section 179 qualified equipment, the tax savings actually exceed the first year's payments on the equipment (making buying equipment profitable for the current tax year). This is entirely legal, and a good example of the incentive that Section 179 provides small and mid-size businesses.

Excellent Timing

Almost every business uses PCs, servers, printers, network gear, data security hardware and software. Many have delayed upgrading their aging systems because of the investment or debt required to implement modern technology across the entire business. They may have taken a piecemeal approach to upgrades, resulting in productivity loss, compatibility and security problems, and administrative challenges.

Fortunately, Section 179 of the tax code lets businesses write off the entire cost of computer equipment and off-the-shelf software purchased and put in use before December 31, 2016. And the increased deduction limit of $500,000 allows businesses to conserve cash on qualifying major technology outlays, reducing the net cost by one third or more.

In addition, special offers may be available on particular items. **Contact eMazzanti sales for details: 1-866-EMAZZANTI.**

Examples of items that may qualify for the Section 179 deduction:

- Servers, Server upgrades, Printers, Scanners
- Routers, Network switches, Network security appliances
- EMV POS Chip Card Readers
- Tablets, Smartphones, Workstations, Laptops
- Windows 10, Windows Server 2012 and 2016, Microsoft Office, Microsoft Dynamics
- Other off-the-shelf software

Purchases made and equipment leased throughout the year qualify for the deduction. There are limits and conditions but most equipment, new or used, qualifies. Here is some useful information pulled from the section179.org website:

Section 179 is Simple

Most people think the Section 179 deduction is some mysterious or complicated tax code. It really isn't, as you will see below.

Essentially, Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the FULL PURCHASE PRICE from your gross income. It's an incentive created by the U.S. government to encourage businesses to buy equipment and invest in themselves.

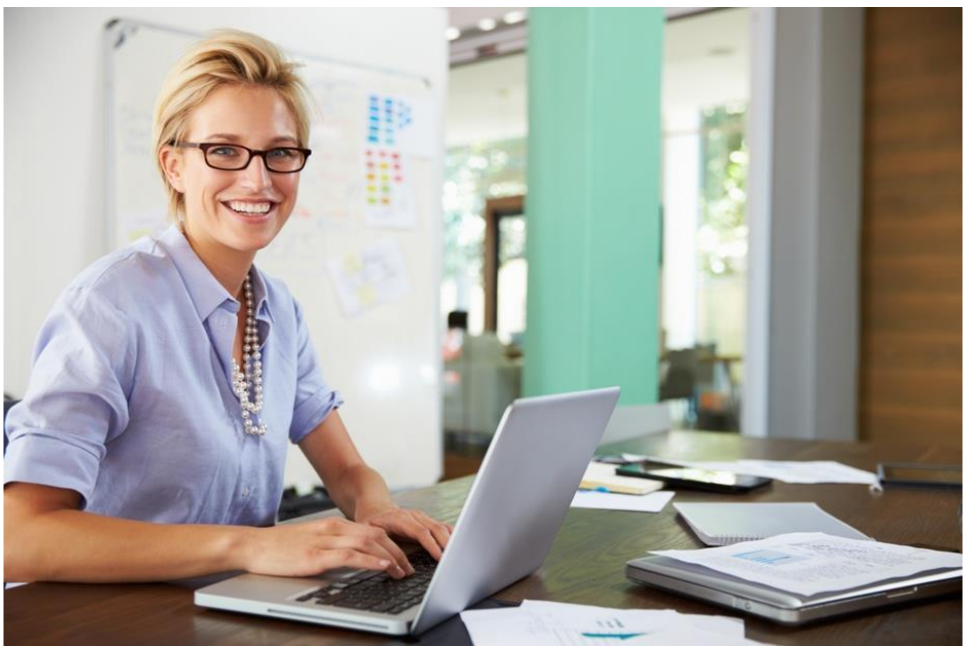
Reduces Current Taxes

When your business buys certain items of equipment, it typically gets to write them off a little at a time through depreciation. In other words, if your company spends $50,000 on a machine, it gets to write off (say) $10,000 a year for five years (these numbers are only meant to give you an example).

Now, while it's true that this is better than no write-off at all, most business owners would really prefer to write off the entire equipment purchase price for the year they buy it.

In fact, if a business could write off the entire amount, they might add more equipment this year instead of waiting over the next few years. That's the whole purpose behind Section 179 - to motivate the American economy (and your business) to move in a positive direction. For most small businesses, the entire cost can be written-off on the 2016 tax return, up to $500,000!

Act Now



Section 179 offers small and mid-size businesses a great opportunity to maximize purchasing power. The lack of certainty over Section 179 expensing and bonus depreciation in prior years has influenced many entrepreneurs to delay large investments in equipment. The more liberal and stable expensing levels in 2016 allow them to invest with confidence.

Most of the equipment your business will purchase, finance or lease qualifies for the deduction so make sure you do your homework to verify that your company is leveraging the Section 179 Deduction this year. Contact eMazzanti Technologies to discuss your Section 179 technology investment options.