Hill International Trucks

How you can save **BIG** in 2016 with the Section 179 Deductions!

THE TRUCK PEOPLE
SINCE 1897

How does section 179 work:

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).

At a glance:

2016 Deduction Limit = $500,000
This deduction is good on new and used equipment, as well as off-the-shelf software. The equipment must be purchased and put into service by the end of the day, 12/31/2016.

2016 Spending Cap on equipment purchases = $2,000,000
This is the maximum amount that can be spent on equipment before the Section 179 Deduction available to your company begins to be reduced on a dollar for dollar basis. This spending cap makes Section 179 a true "small business tax incentive".

Bonus Depreciation: 50% for 2016
Bonus Depreciation is generally taken after the Section 179 Spending Cap is reached. Note: Bonus Depreciation is available for new equipment only.

The above is an overall, "simplified" view of the Section 179 Deduction for 2016.

HOW MUCH WILL YOU SAVE?

Contact your accountant or financial advisor today to find out how you might be able to benefit from the Bonus Depreciation and Section 179 changes when purchasing new equipment from Hill International Trucks in 2016.

Hill International Trucks does not provide legal, tax or accounting advice. The customer must obtain and rely on such advice from its own accountants, auditors, attorneys or other professional advisors.

Find more information on www.section179.org

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Bonus Depreciation!

How does depreciation bonus work?

Companies that purchase NEW equipment are eligible to depreciate 50% of the cost in the first year. For a $100,000 piece of equipment with 5 year depreciation (MACRS), the first year depreciation would be $60,000 in 2016.

When is the last day to take advantage?

To qualify for 50 percent depreciation the new equipment must be acquired and placed in service by the taxpayer claiming the benefit before Jan. 1 2017.

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What is bonus depreciation?

Standard depreciation takes the total cost of the equipment and spreads it out across its entire expected life. A $100,000 piece of equipment with a 10 year life would allow for depreciation of $10,000 per year. Bonus depreciation allows a business to deduct a significant portion of the initial purchase the year it is purchased and put into service.

First deduction:
- $500,000 First time write-off. (Section 179) Spending cap on equipment purchases = $2,000,000

Second deduction:
- Bonus depreciation: 50% for 2016
- Bonus depreciation is generally taken after the section 179 spending cap is reached and may be applied to the remainder.
- Note: Bonus depreciation is only available for NEW equipment only.

Third deduction:
MACRS depreciation - after the buyer exhausts the allowable Sec 179 depreciation benefit; a 50% bonus depreciation benefit; the remainder of the asset's depreciable value is subject to the applicable MACRS depreciation schedule.

Example of a $1,000,000 qualified purchase	$1,000,000
First year write off - Max $500,000 in 2016	$500,000
50% Bonus first year depreciation - $250,000	$250,000
Normal first year depreciation - (5 years MACRS)	$50,000
Total first year deduction	$800,000
After tax cash savings - $280,000 (based upon 35% tax rate)	($800,000 X 35%) = $280,000

TAX SAVINGS!