EBOOK

BOOST YOUR IT CAPABILITIES AND REDUCE YOUR TAX BURDEN

Take Advantage of the IRS 179 Deduction Before the End of 2017!

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The IRS 179 Deduction was enacted to help small businesses like yours by allowing you to take a depreciation deduction for certain assets in one year, rather than depreciating them over a longer period of time. It allows you to take an outright deduction equal to the full purchase price of a qualifying piece of equipment. This means you can lessen your taxable income, and ultimately your tax burden.

Reduce your tax liability by acquiring new technology before the end of 2017. Section 179 is only available to U.S. companies until the end of the 2017 calendar year.

Depreciation is a means for you to recover the cost of a purchased asset over time through periodic deductions or offsets in income.

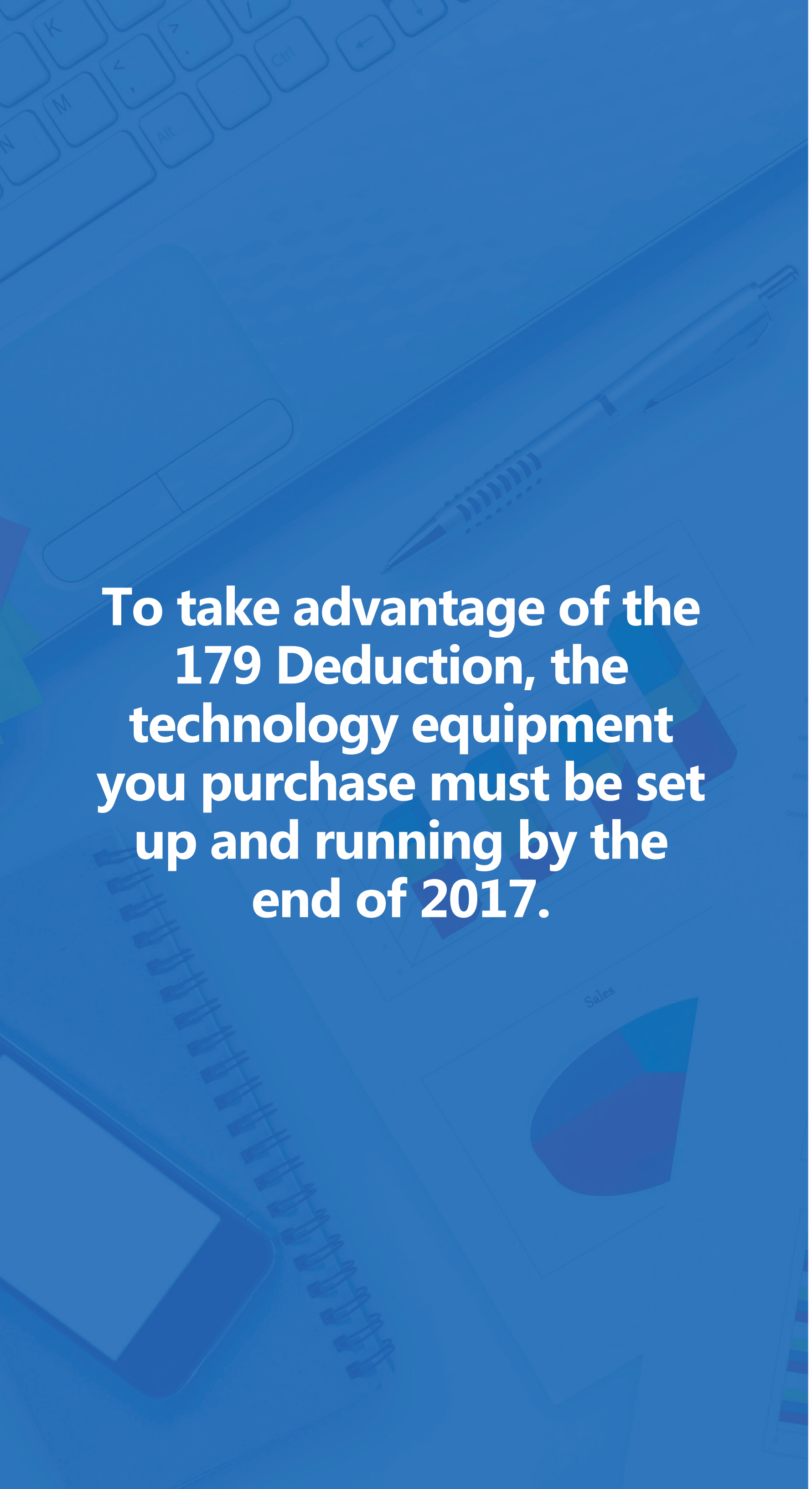
It's considered a tax benefit because depreciation deductions cause a reduction in taxable income, thereby lowering a firm's tax liability.

The Section 179 Deduction

Taking a deduction on an asset in its first year is called a "Section 179 Deduction." You reap a huge benefit by taking the full deduction for the cost of an asset immediately, rather than spreading it out over its useful life.

Who Gets the Depreciation?

The owner of the equipment — As the owner, you get the benefits of depreciation. For example, if you buy technology or other equipment for your business, under Section 179 you can deduct the full cost in the first year. This makes sense because we all know that technology has a short or useful life.



To take advantage of the 179 Deduction, the technology equipment you purchase must be set up and running by the end of 2017.

What Type of Equipment Qualifies for Depreciation?

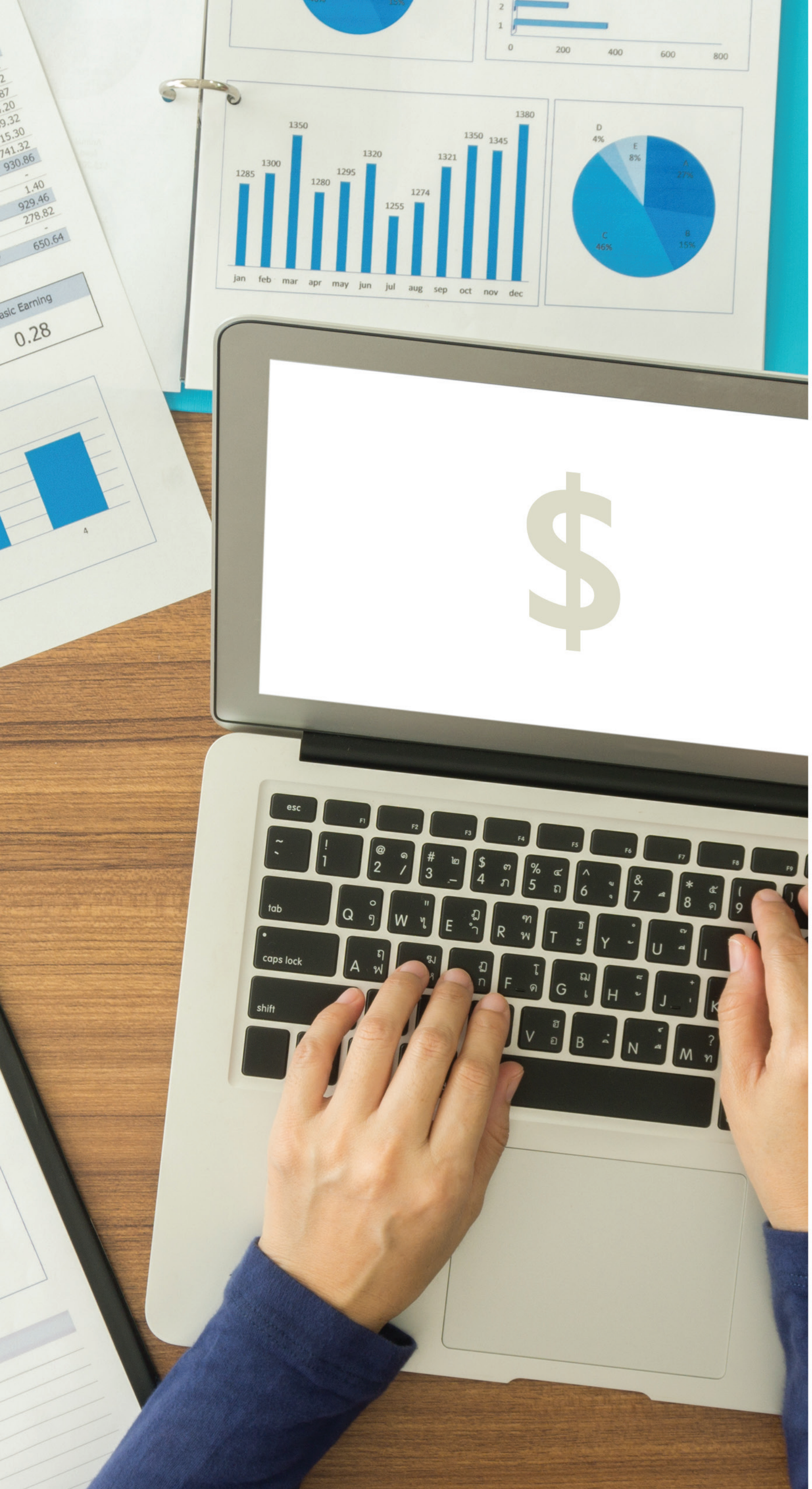
Equipment that's purchased under a Capital Lease, cash sale or a dollar buyout, and where you're considered to be the owner of the equipment and maintain full control over the residual value, qualifies.

What Types of Business Property Does Section 179 Apply To?

The IRS has two general requirements:

1. The property (called "qualified property") must be "tangible, depreciable, personal property which is acquired for use in the active conduct of a trade or business." Land and buildings are not qualified property, but most other property, including office equipment, technology and vehicles, qualifies.

2. The property must be purchased and put into service in the year in which you claim the deduction. Putting an asset into service means that you have it set up and working, and you're using it in your business. Buying a piece of property and then letting it sit and gather dust doesn't count.



What Types of IT Equipment Are Eligible For the 179 Deduction?

- **Routers and Firewalls** (These should be replaced every 2-3 years for security purposes.)
- **Switches** (Take advantage of the newer, faster switches that are available today.)
- **Wireless Access Points** (More and more devices rely on wireless connections for roaming across your facility.)
- **Off-the-Shelf Software** (software that's not customized for your business)
- **Servers** (These should be replaced every 5 years.)
- **Phone Systems** (VoIP or traditional)
- **Backup & Disaster Recovery Appliances** (Do you have a reliable system that will support your business if you suffer from a natural or manmade disaster?)
- **Workstations and Monitors** (Consider adding a 2nd monitor for your key staff to increase productivity.)
- **Laptops and Ultrabooks** (New technology is available with much longer battery life.)
- **Scanners** (Today's scanners are faster and allow you to scan multiple documents at once.)
- **Battery Backups** (You need these when power goes down.)
- **Storage** SAN- Storage Area Networks, RAID-Redundant Array of Independent Disks, etc. (Digital picture files now require a lot more storage today.)

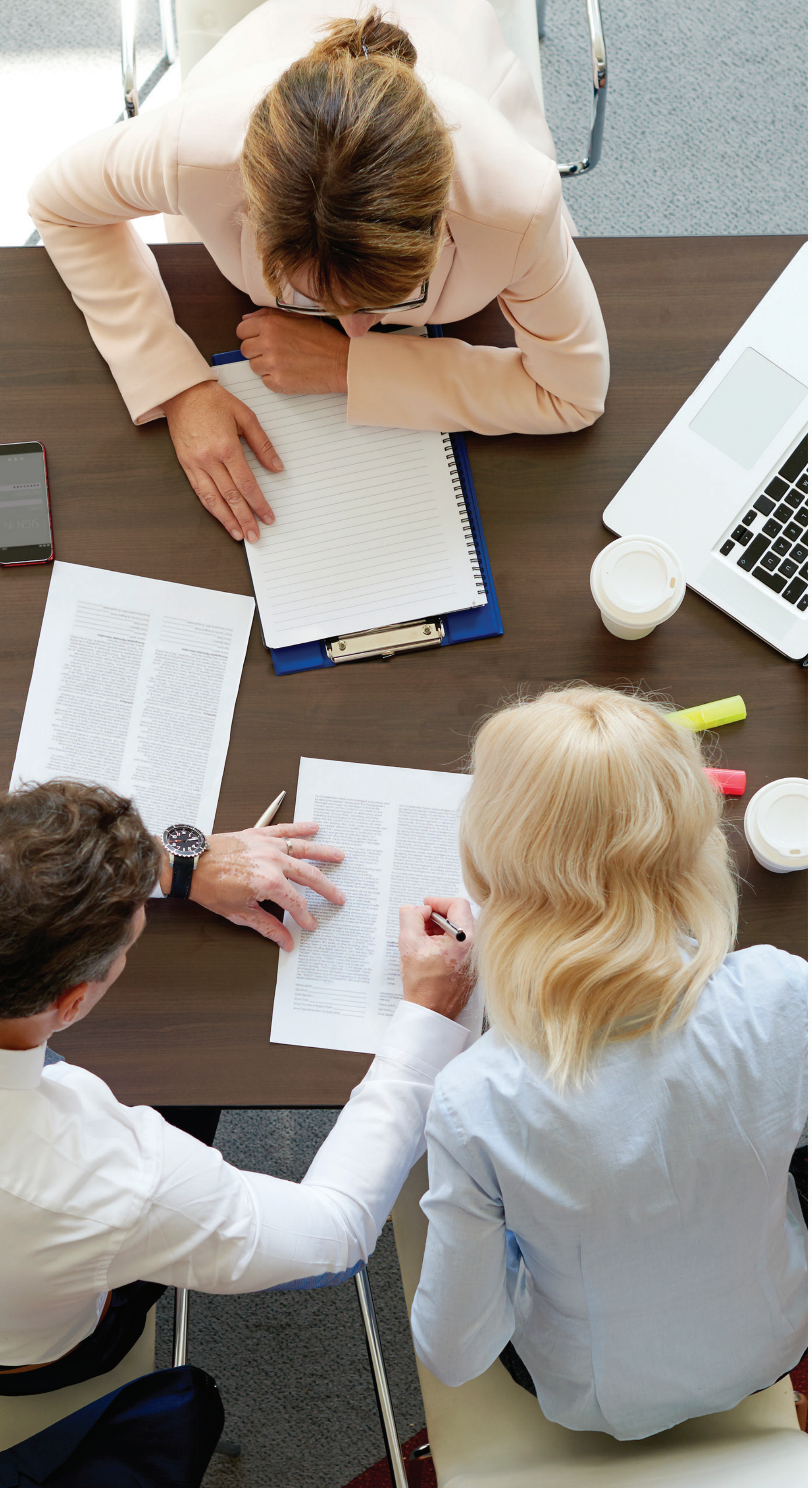
Deductions are all about limiting your tax burden by reducing your taxable income. Taxable income is defined as gross income, or adjusted gross income, minus any deductions or exemptions allowed in the tax year. An example of a deduction or exemption is depreciation.

Limitations on Deductions:

1. An aggregate cap on the Section 179 Deduction of $500,000.
2. A 50% Bonus Depreciation is generally taken after the $500,000 Section 179 Spending Cap is reached.
3. The deduction cannot reduce taxable income below $0.

What Doesn't Qualify for Depreciation?

A **Fair Market Value** (FMV) Lease, (sometimes called a True Lease or an Operating Lease). It generally has lower monthly payments than a Capital Lease or a bank loan, and it's most often used as a shorter-term lease unlike a Capital Lease. FMV lease payments are 100% tax deductible as an operating expense but not a capital expense since the equipment is not seen as a purchase. Rental Agreements don't qualify either because you're not the owner of the equipment.



Modified Accelerated Cost Recovery System (MACRS)

Here's how the traditional MACRS method works: For example, if you have a Gross Income of $100,000, and you buy out a $1 phone system valued at $100,000, the MACRS method of depreciation only allows you to depreciate 20% in the first year ($100,000 x 20% = $20,000 in depreciation).

$100,000 Gross Income
- $20,000 Depreciation
$80,000 Taxable Income (You'll pay tax on this amount.)

The 179 Deduction Saves You Money.

Here's how the Section 179 Deduction works: If you have a Gross Income of $100,000, and you buy out a $1 phone system valued at $100,000, the 179 Deduction method of depreciation allows you to depreciate the full amount ($100,000).

$100,000 Gross Income
-$100,000 Depreciation
$0 Taxable Income

This is a significant and impactful advantage that you should take advantage of if you want to buy equipment and lessen your tax burden.

What's a Bonus Depreciation?

If you bought a total of $2,000,000 in qualifying fixed assets under Section 179, you can depreciate $500,000 of this amount in the first year.

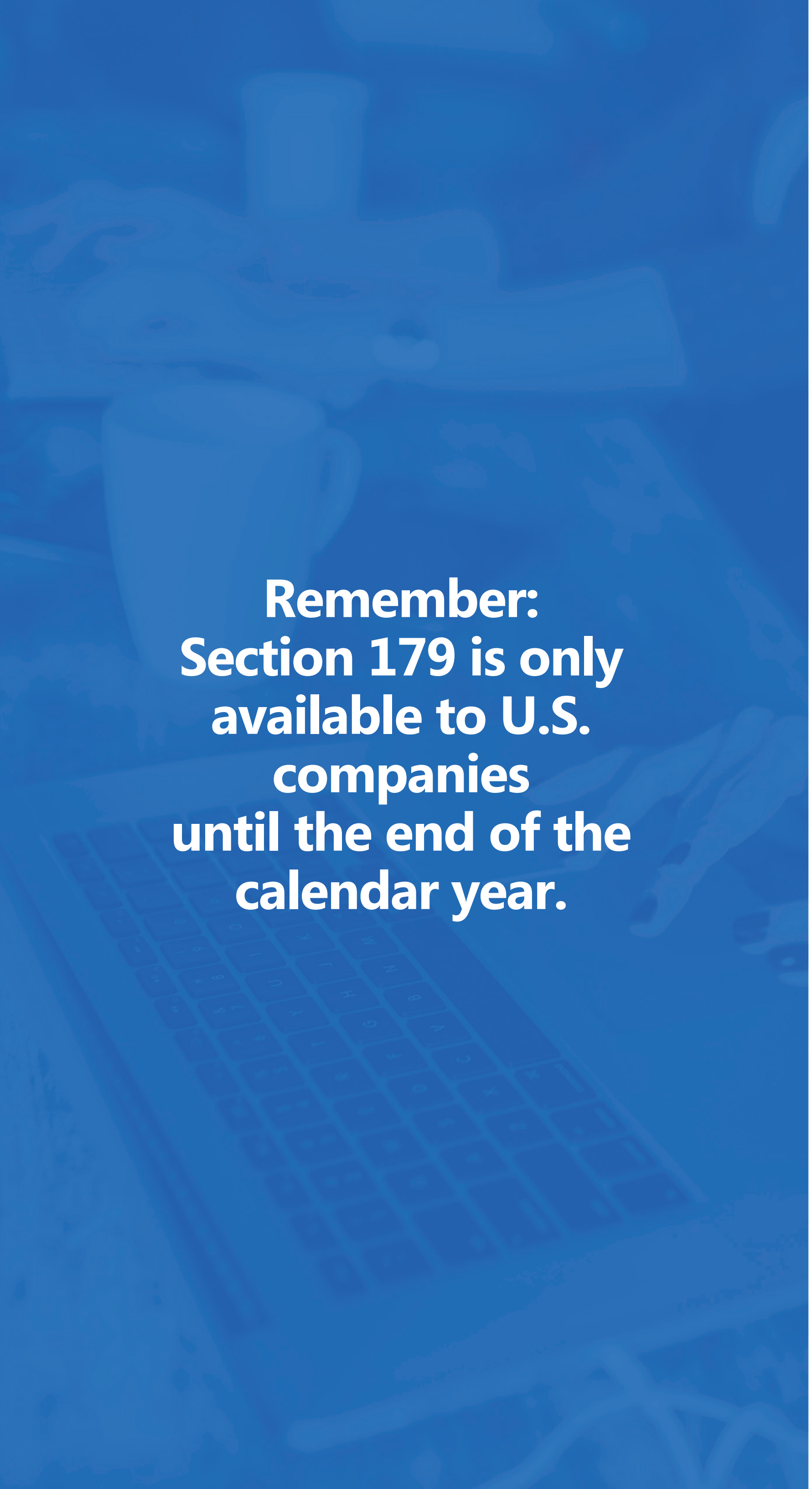
The Bonus Depreciation allows you to depreciate the remaining $1,500,000 at 50% ($750,000).

Then, you can also take your 20% 1st year MACRS on the $750,000 that didn't get the Bonus Depreciation (another $150,000!).

Here's the breakdown:

Total 2017 Equipment Purchases	$2,000,000
1st year write off	-$500,000
Bonus depreciation	-$750,000
MACRs	-$150,000
Total 1st Year Deduction	**$1,400,000**

This is a huge savings you should definitely take advantage of.



**Remember:
Section 179 is only available to U.S. companies
until the end of the calendar year.**

Along with the holiday shopping rush, business owners and managers are rushing to purchase computers, software and other technology equipment before the Section 179 Deduction allowance expires December 31, 2017. If you're considering a large technology purchase you should do so now to take advantage of this special 100% tax deduction.

Taking advantage of Section 179 and/or Bonus Depreciation could be the most profitable decision you make in 2017.

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Always consult your tax advisor to confirm how you can benefit from this or other tax breaks. Nachman Networks We can help.

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