

Leasource Financial Services, Inc.

Business tax breaks that may apply to you!

Equipment Financing and Section 179 Property

Is cash flow restricting your business growth?

As new business opportunities arise, the need for additional equipment can become urgent as you strive to become more successful. Whether you are a small family enterprise or a major corporation, all companies share a common need—cash flow is the lifeblood of business. Even for a company with large cash reserves, financing equipment acquisitions makes business sense by matching the cost to its benefit. Rather than tying up precious working capital or bank lines, smart businesses let the equipment benefits pay for the equipment...while their cash reserves and borrowing power work to fund their immediate and short term needs to assure future success.

With a lack of budget dollars for new equipment, your business suffers.

When budget dollars aren't available, purchases are often put on hold, stifling the progress of the company. The only people who benefit are your competitors.

When a business chooses to finance, the cost of the equipment is spread over a multiple-year term, keeping your working capital liquid to fund investments such as a growing payroll or facility expansion. The business has the equipment when it is needed, rather than waiting until cash is on hand.

Section 179 highlights for 2011:

1. A 100% bonus first-year depreciation allowance for property acquired and placed in service after Sept. 8, 2010, and before Jan. 1, 2012;
2. A 50% bonus first-year depreciation allowance for property placed in service after Dec. 31, 2011 and before Jan. 1, 2013;
3. Extension through Dec. 31, 2012, of the election to accelerate the AMT credit instead of claiming additional first year depreciation; and
4. For tax years beginning after Dec. 31, 2011, the maximum expensing amount under Sec. 179 is \$125,000 and the investment-based phase-out amount is \$500,000 (under current law, the expensing figures drop from \$500,000/\$2 million for 2010 and 2011 to 25,000/\$200,000 after 2011).

FYI – it makes NO difference if you pay cash, or finance the equipment with us – the tax benefits still apply - See Below!

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Example Calculation: Assume you finance \$650,000 worth of business equipment, put it in use in 2011, and take advantage of Section 179. Your **tax savings** could be significant:

Equipment Cost Example: \$650,000

1st Year Write Off: (\$500,000 is the maximum Section 179 write-off in 2011)	\$500,000
Bonus 1st Year Depreciation: (\$600,000-\$500,000 = \$150,000x100% = \$150,000)* *Depreciation calculated at 5 years = 20%	\$150,000
Total 1st Year Deduction: (\$500,000 + \$150,000 = \$650,000)	\$650,000
Tax Savings Assuming Rate of 35%: (\$650,000 x 35% = \$227,500)	\$227,500
Net Lowered Equipment Cost: (\$650,000 - \$227,500 = \$422,500)	\$422,500

The above example shows how taking advantage of Section 179 can significantly lower the true cost of equipment ownership from \$650,000 to \$422,500. For the specific impact to your company, please contact your tax advisor.