

MOVE BUSINESS FORWARD WITH YOUR MACHINERY INVESTMENT

For manufacturers looking to make a machine investment, the time has never been better.



In December 2017, the House and Senate passed the “**Tax Cuts and Jobs Act**” into law. Two key components of this new law are the extension of the **Section 179 Deduction** to a permanent level of \$1,000,000 and the increase of the **Bonus Depreciation** to 100% through December 31, 2022.

SECTION 179 DEDUCTION

This deduction is designed for small to medium-sized businesses who are not spending over \$2.5 million in capital equipment per year. This deduction allows many businesses to write off the entire cost of the machinery they purchase, lease or finance in the year it is delivered. **This deduction is now permanently set at \$1,000,000.**

BONUS DEPRECIATION

This deduction is designed for larger businesses since there is no limit on how much you can spend per year on capital equipment. This deduction allows all businesses to **write off 100% of the entire cost** of the machinery they purchase, lease or finance in the year it is delivered. This deduction expires after 2022.

WHAT QUALIFIES FOR THESE DEDUCTIONS

Any of the following items that have been purchased or leased on a \$1.00 buyout lease:

- New and used machinery
- Tangible personal property used in business
- Computers and off-the-shelf software
- Office furniture and fixtures

To qualify for these deductions in 2018, equipment must be delivered by December 31, 2018.

If you have any questions regarding these deductions or would like more information on how these deductions can actually pay for your first years lease payments on the machinery you are considering, contact the leasing department at Stiles Machinery.

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Tax Cuts and Jobs Act of 2017

An overview of the impact on your business in 2018.



CHANGES TO BUSINESS TAXES FOR 2018

The new tax law has significant impacts on businesses. Here are the key facts of the new law:

- Lowers the corporate income tax rate permanently to 21 percent, starting in 2018.
- Increases the Section 179 Deduction from \$500,000 to \$1 million permanently.
- Increases the Bonus Depreciation from 50% to 100% through 2022.
- Allows full and immediate expensing of short-lived capital investments for five years.
- Limits the deductibility of net interest expense to 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA) for four years, and 30 percent of earnings before interest and taxes (EBIT) thereafter.
- Eliminates net operating loss carrybacks and limits carryforwards to 80 percent of taxable income.
- Eliminates the Domestic Production Activities Deduction (section 199)
- Eliminates the corporate alternative minimum tax.

What's the difference between Section 179 and Bonus Depreciation?

Before 2018 the most significant differences were:

1. Section 179 allowed for 100% deduction and Bonus Depreciation was only 50%.
2. Section 179 had a spending limit of 2.0 mil which is now 2.5 mil and Bonus Depreciation had none.
3. Section 179 allowed for Used Equipment and Bonus Depreciation did not.
4. Section 179 was only available up to the amount of your income in 2017, but unused Bonus Depreciation could be carried forward to future years or if your businesses had a net loss in 2017 you could carry-forward the Bonus Depreciation to future years.

Now in 2018, through 2022:

1. Both allow for a 100% deduction.
2. Section 179 still has the spending limit.
3. Both now allow for Used Equipment.
4. Bonus Depreciation is still the only way to carry forward any extra unused amount.

Which one is better?

Since Bonus Depreciation is now 100% through 2022, has no spending limit, can be used for Used Equipment and unused amounts can be carried forward, **Bonus Depreciation is now the preferred deduction**, unless your accountant has other reasons that make them prefer Section 179 during this time.

The contents of this flyer are for informational purposes only. Please confer with your tax advisor as to how the recent tax laws changes may directly impact you.