

**Potential Tax Savings
Available to Your
Business**

To provide relief to business owners and promote business growth, the United States government recently amended tax laws. The Jobs and Growth Tax Relief Reconciliation Act of 2003 and the American Jobs Creation Act of 2004 provide business owners additional tax deduction opportunities through 2007. The following outlines the tax benefits and the potential impact on your tax returns.

**Increase in Tax Code
Section 179 Deduction**

Under Internal Revenue Code Section 179, equipment acquisitions can be expensed (deducted from taxable income) if placed in service by December 31, 2007. Using Section 179, the amount of investment in equipment that may be immediately deducted for tax year 2006 is \$108,000. The \$108,000 deduction (which was initially \$25,000) will be adjusted each year for inflation and is effective through December 31, 2007.

Property eligible for the Section 179 Deduction:

- Tangible property depreciated under MACRS with a recovery period of 20 years or less.
- Off-the-shelf computer software (depreciated under Section 167(f)(1)).

The equipment must be acquired for use in active conduct of a trade or business.

**Consider the following
finance lease example:**

Cost of equipment financed	\$ 125,000
1st year write-offs	
Section 179	\$ 108,000
Normal 1st year depreciation ¹	\$ 2,429
Total deduction in 1st year	\$ 110,429
Marginal tax rate assumed 35% ²	\$ 38,650
Bottom line equipment cost after tax savings	\$ 86,350

¹14.29% Depreciation based on a seven-year asset life [$\$125,000 - \$108,000$ (Section 179 write-off)] x 14.29% yearly depreciation.

²Tax savings are assuming a 35% tax bracket.

Please consult your tax advisor.
Your equipment acquisition may have significant tax advantages. This is an example and each business has unique depreciation and tax opportunities.



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■ **Contact me to begin your credit application process and to answer additional financing questions.**

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