

What's New with Section 179 and Bonus Depreciation Equipment Leasing Tax Deductions?

Article by Matt Doty, GreatAmerica Vice President Corporate Communications



If you have all the money in the world, why lease?

If you made it through the holidays without seeing the movie “All the Money in the World,” I’d recommend it. The movie also came out as Congress was wrestling with the Tax Cuts and Jobs Act of 2017, which now has significant impact on taxes and businesses that lease equipment. It’s based on a true story of the 1973 kidnapping of billionaire Jean Paul Getty’s grandson, Paul. The connection between these two rests in Getty’s astute, if not maniacal use of the rules to get ahead in business.

Jean Paul Getty made big bucks in oil, and was so squeaky tight with money that he squeezed out only part (\$2.2 million) of his grandson’s ransom because it was the maximum amount that was tax deductible. And that was after the kidnapers lopped off little Getty’s right ear. And he loaned his son about \$1 million to cover the rest of the ransom—at 4% interest!

Now, I’m not a huge fan of J. Paul Getty’s life skills or apparent lack of compassion, but the guy deserves some kudos for his shrewd business sense and fanatical attention to the bottom line. In short, you can’t fault him for his business and financial mind.

J. Paul Getty liked favorable tax treatment, and loved fair market value leasing. In fact, Getty once said, “Lease that which depreciates. Buy that which appreciates.” That’s a valuable little chestnut even the smallest proprietor can bank on. If you want to own the equipment, there’s also a new break you should really be excited about. In the new law, it’s not widely known that the tax breaks—and Section 179 and 100% Bonus Depreciation (Section 168)—also apply to businesses who lease their equipment. When you buy new or used equipment to run your business under a \$1 purchase option lease or Equipment Finance Agreement (EFA), you can deduct 100% of it in the first year, just using the Bonus Depreciation, which essentially eclipses the benefits of Section 179. A \$1 purchase option lease or EFA

Section 179 and 100% Bonus Depreciation by the Numbers

Courtesy of Great America

100% BONUS DEPRECIATION

When you finance equipment/software for your business using a \$1 purchase option lease or an Equipment Finance Agreement (EFA), allowing you to pay for it in installments over several years, **you get to deduct 100% of the purchase price** in the tax year in which the equipment is put in service.

Thanks to the new **Tax Cuts and Jobs Act of 2017** signed into law in December, the Bonus Depreciation amount is now 100%. The act is effective for equipment/software placed in service on or after September 28, 2017, and includes used equipment. **Simply make your purchase, install by December 31 2018 and enjoy your huge tax deduction and savings!**

is considered a purchase under the Internal Revenue Code. Your tax advisor can confirm how you may benefit from this tax break.

Getty probably enjoyed the latest technology, and leasing benefits allowed him to trade up every few years without losing the cash outlay he would have put down to buy equipment. And he most likely figured out early that bank loans required more hoops to jump through and were tied to credit history. Maintenance work is often included in a lease agreement, and Getty wouldn't think of hassling with the responsibility of keeping his technology or machines in running order himself.

When you choose to make your equipment purchase over time, it really pays for itself and helps your cash flow. Take it from J. Paul Getty: Even if you have all the money in the world, it still makes solid business sense to lease!

Matt Doty, GreatAmerica Vice President Corporate Communications, is responsible for maintaining image execution and brand continuity throughout the company. This includes written and verbal communications with internal and external audiences and overall strategic and tactical marketing activities.

GreatAmerica is a national commercial equipment finance company dedicated to helping manufacturers, vendors, and dealers be more successful and keep their customers for a lifetime.

Huge savings in action... let's see how this strategy can benefit your tax position:

- Finance Amount: \$55,000
- Immediate Tax Deduction* = \$55,000
- Tax Savings* = \$19,250 (Assuming a 35% tax bracket)
- What this mean, hypothetically, is that if a customer had a tax bill of \$10,000 without the acquisition of equipment, they would actually get a refund of \$9,250!*

Note: The above is promotional material. It does not affect the terms of any contract with us. It is not intended to and does not constitute tax advice, and does not take into account the effect of state tax laws. It is based on assumptions that may not apply in your situation. You should contact your own tax advisors to confirm how applicable tax rules apply to your business and your equipment/software acquisition.

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You think Uncle Sam makes now seem like a great time to invest in new equipment? MWI can make your decision even easier. Talk to us about MWI Financial Solutions, our platform for offering a variety of financing plans, from turn-key to fully customized.

MWI Financial Solutions...

Let's Talk.

Published: MWI Messenger – December 2018