



2018 Section 179 Updates

Section 179 Depreciation Update due to New H.R.1 Law or The Tax Cuts and Jobs Act:

On January 2, 2018, H.R.1 was signed into law and has revised several previous tax laws going forward. Section 179 depreciation is now \$1,000,000 and the bonus depreciation is now 100 percent. Equipment purchase limits have been increased to \$2.5 million. Businesses will also be able to backdate for the 2017 tax season to September 27, 2017.

Previous PATH Act Tax Laws are Outlined Below

Section 179 Depreciation Updates for 2018-2019:

Section 179 was reinstated by the federal government and signed into law December 18, 2015. This bonus depreciation option was part of the PATH Act, or Protecting Americans from Tax Hikes Act of 2015. As part of the PATH Act, Section 179 deduction was expanded to \$500,000 annually, with a maximum bonus depreciation of 50 percent, for equipment put into the field until December 31, 2017.

Starting January 1, 2018, bonus depreciation will begin scaling back due to the PATH Act. Businesses will be able to deduct a 40 percent bonus during 2018. Then, resolving to 30 percent bonus in 2019. The PATH Act states that most types of business equipment, including software and technology, qualify for Section 179 depreciation the year that the equipment was put into service.

After 2019:

It's important that business owners and senior management keep in mind that the current PATH Act law states that after 2019, the bonus depreciation will be reversed to zero percent. This ruling may change if the federal government takes the law to vote and updates it, during the 2017-2019 legislative seasons.

You may contact your local representation to discuss the law, or contact the IRS to voice your opinions of further reforms to the law:

Internal Revenue Service
Attn: CC:PA:LPD:PR (Notice 2017-28) Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

Visit IRS.gov for more information.

What does this all mean, without having to speak in accounting terms?

The key points of Section 179 depreciation stated in the PATH Act of 2015 are that businesses can deduct up to \$500,000, plus bonus depreciation at a rate of 50 percent of the remaining cost of the equipment, for the 2017 tax season.

During 2018, businesses will be able to deduct a bonus rate of 40 percent. For the 2019 tax year, businesses will be able to deduct a bonus rate of 30 percent. Finally, the PATH Act will be phased-out during 2020, unless another tax law is passed by the federal government.

Can I Finance or Lease and Still Qualify for Section 179?

Business equipment financed or leased still qualifies for Section 179. The tax law is still the same, even if you're making payments on equipment for several years. The equipment needs to be in service and must be for business purposes to qualify for Section 179. Advance Acceptance advises customers and business partners to check with their accounting team, controller or tax resource about any specifics related to their business or industry.