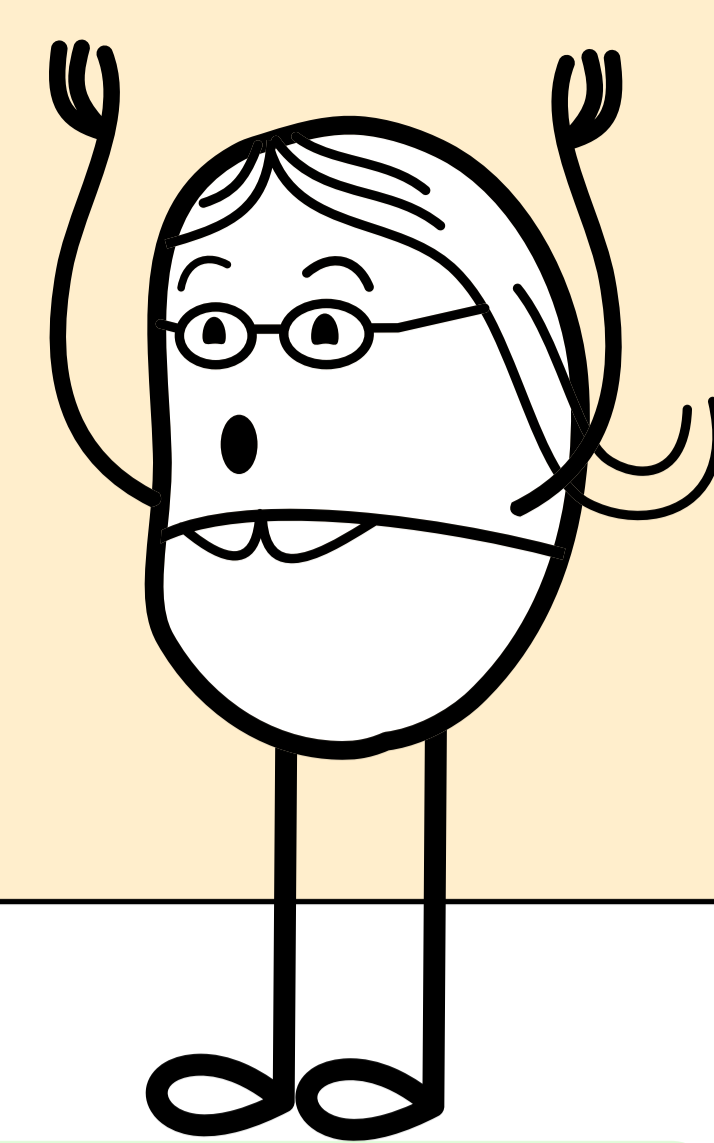


# Accelerated Depreciation

## The Differences Between Section 179 & Bonus Depreciation



### WHAT IS ACCELERATED DEPRECIATION?

When you buy a new asset, you can capitalize the asset and then claim a portion of the asset's cost on your taxes for the next several years.

The IRS allows 2 methods for 100% depreciation in the year of a purchase of a **capital asset**. Sometimes, it makes more sense to claim accelerated depreciation.

This simply means that you claim more of the asset's cost when you buy it.

### What Qualifies As A Capital Asset?



Business Vehicles



Business Computers



Office Equipment



Printing Equipment



Manufacturing Equipment



Off-The-Shelf Software



Tractors & Trailers



Horticulture Structures

This isn't a comprehensive list, check with us to see what else qualifies as a capital asset!

### LET'S REVIEW THE DIFFERENCES!



#### Section 179

A fixed dollar amount based on the cost of the asset.



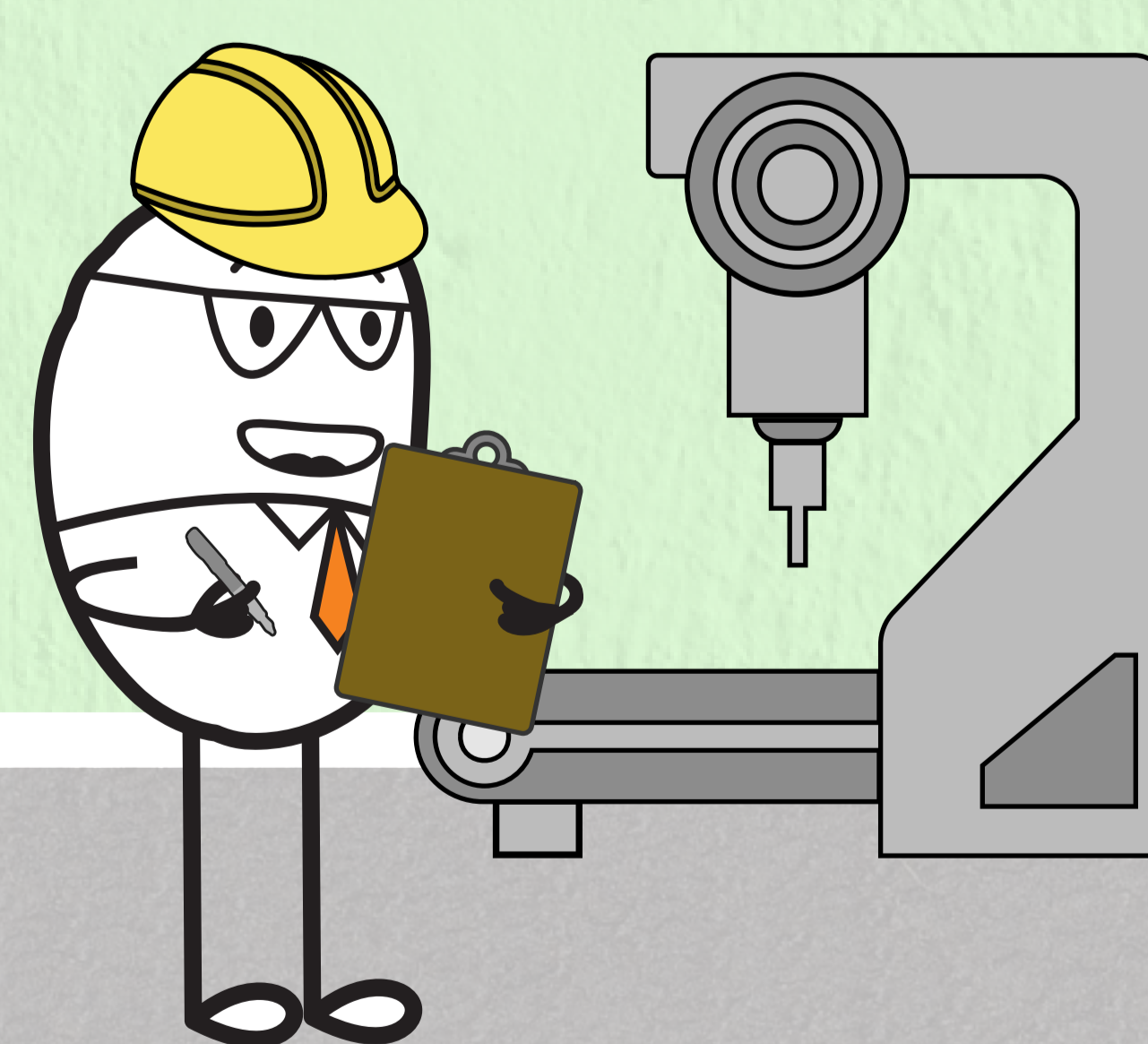
#### Bonus Depreciation

A percentage based directly on the cost of the asset.

	Section 179	Bonus Depreciation
Depreciation Allowed in Year 1 of Purchase	100%	100%
Limit on deduction	Yes	No
Capital Acquisition Limit for 2021	2,620,000	N/A
Annual Limit of Depreciation for 2021	1,050,000	N/A
Phase Out (See Note A)	Dollar for dollar after limit threshold on purchases is reached	N/A
Type of Capital Purchases eligible	Tangible Property, purchased, not leased, not acquired from related party, used in business at least 50%, roofs, alarm systems, HVAC	Depreciable property with lives less than 20 years, such as vehicles with a gross vehicle weight greater than 6,000 lbs, furniture, manufacturing equipment, and heavy machinery, computer software, water utility property.
Types of Capital Purchases ineligible	Buildings and Land, Intangible property like Patents or Copyrights	Classes of assets with depreciation lives greater than 20 years (real estate)
Can it create a loss on the tax return?	No	Yes
Allowed at state level? (See Note B)	Depends on the state	Depends on the state
Flexible Application (See Note C)	Yes	Partially
How to utilize	Opt in on specific assets	Automatically opted in, must opt out if choosing to
Depreciation rate	Up to 100% in current year	100% in current year, however, depreciation rate in future years is reduced (See Note D)

### REAL WORLD APPLICATION:

Imagine that a company has purchased a new piece of machinery used 100% for business purposes at a cost of \$100,000 and zero salvage value. The company could take that asset and depreciate over the course of 5 years at \$20,000 each year. Both Section 179 and Bonus Depreciation would instead allow the company to write off the entire \$100,000 in the current year.



Let The Nerds Figure Out Which Method Of Depreciation Is Best For Your Situation

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