

Discover the Tax Benefits of Leasing

IRS Section 179

Under IRS Section 179, equipment purchases, up to the amount shown below, can be expensed (deducted from taxable income) if placed in use by December 31 of the current year. Finance leases qualify for this deduction in the year of their inception. Any excess above the expensed amount can be depreciated over 5 to 7 years.

**The maximum amount of asset cost that can be expensed by year is:
\$24,000 for 2002, and \$25,000 for each year thereafter.**

New in 2002: Under the Stimulus Package of 2002 there is a 30% depreciation “Bonus” for qualified capital investments by businesses on equipment placed in service after September 10, 2001 and remains in effect for 36 months.

Consider the following Example:

	<u>Before 9/11/01</u>	<u>After 9/11/01</u>
Equipment Purchase	\$30,000.00	\$30,000.00
1 st Year Write-off:		
• Tax Code 179	\$24,000.00	\$24,000.00
• 2002 Stimulus*	N/A	\$ 1,800.00
• Normal 1 st Year Depreciation**	\$ 1,200.00	\$ 840.00
Total Deduction 1 st Year	\$25,200.00	\$26,640.00
Marginal Tax Rate (Assumed)	50%	50%
Your Tax Savings***	\$12,600.00	\$13,320.00

* 30% Depreciate Bonus After Tax Code 179 (\$30,000 - \$24,000 (Tax Code 179 write-off) x 30% Depreciation Bonus)

** 20% Depreciation based on a 5-year asset life (\$30,000 - \$24,000 (Tax Code 179 write-off) - \$1,800(stimulus)x 20% yearly depreciation)

***Consult your tax advisor regarding this accelerated depreciation opportunity and all accounting procedures.

Finance Leases (Also known as a \$1.00 Out)

Typically, a finance lease is a full-payout, noncancelable agreement. You are responsible for taxes and insurance. The benefit of this lease type is that you can take advantage of IRS Section 179 and expense up to the amount allowed for the year the equipment is installed. You may depreciate any excess on the depreciation schedule for that particular asset.

Contact Mike Sweeney at U.S. Bancorp Healthcare Finance Services to begin your credit approval process or to answer additional finance questions at 1-800-941-7456, ext. 2514.

