

Red Thread Financial Group offers something relatively unheard of to business owners:

TAX SAVINGS!

Create your own tax break in 2011!



Section 179: Limits for the 2011 tax year.

The Small Business Jobs and Credit Act of 2010 provides key tax incentives for investments in business equipment. This Act increased the amount a taxpayer can write off for the 2010 and 2011 tax years to \$500,000 of qualified capital expenditures, subject to a phase-out once these expenditures exceed \$2,000,000. Equipment acquisitions totaling \$2.5 million or more will not qualify for Section 179 deductions. Companies can not write off more than their taxable income.

Note for 2012: The maximum amount and phase-out thresholds for taxable years beginning in 2012 will be \$125,000 and \$500,000 respectively, indexed for inflation.

Bonus depreciation for the 2011 tax year.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provides 100% depreciation bonus for capital investments placed in service after September 8, 2010 through December 30, 2011. For equipment placed in service between December 31, 2011 and December 31, 2012, the bill provides a 50% depreciation bonus. The bonus depreciation applies only to new equipment.

What is the Section 179 deduction?

Business owners who acquire qualified property usually prefer a substantial deduction in a single tax year rather than a little at a time over a number of years. This type of accelerated deduction is simply known by its section in the tax code: "Section 179". Section 179 of the IRS Tax Code allows a small business to deduct, for the current tax year, the full purchase price of financed or leased equipment that qualifies for the deduction. The purchased or leased equipment must be within the specified dollar limits of Section 179, and be placed into service in the same tax year that the deduction is being taken. Section 179 applies to new and used equipment and can be combined with the 100% bonus depreciation. Any non-tax lease, such as a \$1.00 Buyout Lease or an Equipment Finance Agreement, will qualify for Section 179 benefits. Not all states follow federal law, so we recommend contacting your tax advisor for further details or visit www.irs.gov for specific details.

What is considered "Qualified Property"?

Section 179 was designed with businesses in mind. That's why almost all types of "business equipment" qualify for the Section 179 deduction. Examples of material goods that generally qualify for the Section 179 deduction include:

- Equipment (machines, etc) purchased for business use
- Tangible personal property used in business
- Business vehicles with a gross vehicle weight in excess of 6,000 lbs.
- Computers / Computer Software (off the shelf)
- Office Furniture / Office Equipment
- Property attached to your building that is not a structural component of the building (i.e. printing presses, large manufacturing tools and equipment)
- Partial Business Use: Equipment that is purchased for business use and personal use. Generally, your deduction will be based on the percentage of time you use the equipment for business purposes.

Consult your tax advisor to see how your equipment purchases will affect your tax situation. Red Thread Financial Group does not give tax advice and this flyer should not be relied upon for any tax preparation.

Example:	
Cost of equipment	\$600,000
1st year write-offs	
• Section 179	\$500,000
• Bonus depreciation*	\$100,000
Total depreciation in 1st year	\$600,000
Marginal tax rate assumed 35%**	\$210,000
Bottom line equipment cost after tax savings	\$390,000

* 100% bonus depreciation after Section 179 deduction.
** Tax savings are assuming a 35% tax bracket.

