

NEW TAX LAW INCENTIVES FOR EQUIPMENT PURCHASES

2011 IS THE PERFECT TIME TO LEASE

In 2010, new laws were enacted that extend and enhance tax incentives to stimulate growth and employment in 2011. Changes to Section 179 deductions and bonus depreciation make it particularly favorable for most companies to acquire equipment and software needed today. Here are the highlights:

SEC. 179 DEDUCTION LIMIT - \$500,000

- Applies to new and used equipment and software
- It was \$250k previously

EQUIPMENT PURCHASES LIMIT - \$2 MILLION

- It was \$800k in 2010

BONUS DEPRECIATION - 100%

- Usually taken after the \$500k deduction limit is reached
- This applies only to new equipment and can be taken when equipment purchases exceed \$2 million

By financing an equipment purchase, businesses may acquire and write off up to \$500,000 worth of equipment without spending \$500,000 in the first year. That is because the \$500,000 purchase is being financed through monthly payments.

Be sure to consult a tax advisor to confirm how to use financing to best take advantage of this very generous incentive.

Contact us to learn more about your finance options. The time to lease is now!

*There are other rules associated with these laws. Please consult your tax and accounting advisors. Lenovo Financial Services does not offer or provide tax or accounting advice.

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SECTION 179 DEDUCTION AND BONUS DEPRECIATION

Congress originally created Section 179 of the tax code to encourage small businesses to buy equipment and spur economic growth by allowing 100% deduction on purchases up to \$500,000. Bonus depreciation was aimed at providing a similar incentive for larger companies and applies to acquisitions that exceed \$500,000.

Bonus depreciation is limited to new equipment and software whereas Sec. 179 can be used on both new and used assets. There continues to be no limit on the deduction amount for bonus depreciation.*

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