



2016 TAX BENEFITS

Businesses have significant reasons to acquire and install capital equipment before the end of 2016, thanks to the "The Protecting Americans from Tax Hikes Act of 2015".

Highlights for tax benefits:

- The allowable Section 179 deduction has been increased to \$500,000 on the cost of new and used equipment.
- Allows a 50% bonus depreciation of the cost of new equipment [under certain conditions] through 12/31/2019.

Section 179 deduction

- For 2016, companies can expense up to \$500,000 as a deduction as long as total purchases do not exceed \$2.5 million.
- Applies to new and used equipment
- Can be combined with bonus depreciation
- The maximum qualified equipment investment amount that is eligible for the full \$500,000 deduction in 2016 is \$2 million
- Beyond the \$2 million maximum equipment investment threshold, there is a dollar for dollar phase-out of the Section 179 Deduction
- Equipment acquisitions exceeding \$2.5 million are not eligible for any Section 179 deduction

Bonus Depreciation

The enhanced bonus depreciation benefit allows an additional immediate write-off of 50% of the undepreciated balance for capital expenditures and depreciable property (new equipment only.).

- Applies to new equipment only that is placed in use in the United States in the 2016 calendar year
- Equipment must be depreciable under the Modified Accelerated Cost Recovery System (MACRS) and have a depreciation recovery period of 20 years or less
- The Bonus depreciation has been extended through 2019. Businesses of all sizes will be able to depreciate 50 percent of the cost of equipment acquired and put in service during 2016 and 2017. Then bonus depreciation will phase down to 40 percent in 2018 and 30 percent in 2019.

Contact your Horizon Keystone finance representative to learn more at 800-606-0049 Ext 140

Section 179 deduction and bonus depreciation example: (Enter Cost of Equipment Below)

Cost of equipment	\$500,000.00
1st year write-offs	
• Section 179	\$500,000.00
• 50% Bonus depreciation	\$0.00
• Normal 1st year depreciation*	\$0.00
Total 1st year deduction	\$500,000.00
Potential tax savings in 2016**	\$175,000.00
Equipment cost after tax savings year one	\$325,000.00

*Based on an expected 5 year asset life

**Tax savings assume a 35% tax rate

Because of the value of accelerated deductions vs. recovery over time, you may find it valuable to better understand these tax provisions and determine if they can work to your advantage.

Don't delay - speak to your tax and accounting advisors today to maximize these and other incentives this year.

Corinne Beyer