



**CLIENT MEMO**  
**SECTION 179 DEDUCTION AND BONUS DEPRECIATION**

If you are considering making fixed asset purchases for your business, here are some substantial tax-saving opportunities that we would like to bring to your attention.

Federal Section 179 deduction

- For tax year 2011, the limit is \$500,000 and the maximum dollar amount of machinery and equipment that can be purchased is \$2 million.

For tax year 2012, the deduction and dollar limit will be reduced to \$125,000 and \$500,000, respectively.

- Deduction can be taken on part or all of the cost of qualified property that you place in service during the tax year and use predominantly (more than 50%) in your trade or business.
- This deduction is applicable to 2011 or 2012 purchases of new or used equipment, including new software. However, the amount of deduction is limited for vehicles.

Federal bonus depreciation

- For year 2011, businesses are allowed to expense 100% of the cost of new business-related machinery and equipment purchases made before January 1, 2012.

For capital equipment purchases made from January 1, 2012 to December 31, 2012, the bonus depreciation allowed is reduced to only 50% of the cost of qualified property.

- This bonus depreciation can be taken even if the capital equipment purchases exceed the Section 179 maximum dollar limit during the tax year. However, it only applies to new equipment, not used.

Please note that the total Section 179 expense you can deduct each year is limited to the taxable income from the active trade or business. The unused amount can be carried forward for an unlimited number of years. The bonus depreciation does not have a business income limit.

In addition, California only allows up to \$25,000 of Section 179 deduction with a threshold limit of \$200,000; and does not conform to the federal bonus depreciation allowance.

One last item worth mentioning is that for 2011, both Section 179 and bonus depreciation are available for qualified leasehold improvements. Please contact us for more details regarding this provision.

We encourage you to take advantage of these tax-saving benefits during 2011. If you have any questions regarding these incentives or how they may impact you and your business, please do not hesitate to contact us.

**FISHMAN, BLOCK + DIAMOND, LLP**

16830 Ventura Boulevard, Suite 400  
Encino, California 91436  
Tel 818.783.7140 310.284.8267  
Fax 818.783.3706  
Web [www.fbco.com](http://www.fbco.com)