



2011 Tax Benefits

Lower the True Cost of Ownership on Your Business Equipment

Section 179 - Expensing Allowance increased to \$500,000

Congress extends the amount that small businesses may write-off for capital expenditures:

Business owners who acquire equipment for their business: machinery, computers, and other tangible goods, usually prefer to deduct the cost in a single tax year, rather than a little at a time over a number of years. The Small Business Jobs Act of 2010 increases the maximum amount a taxpayer may expense under IRS Section 179 to \$500,000 and increases the phase out threshold amount to \$2 million for tax years beginning in 2010 and 2011. The rules are designed for small companies, so the \$500,000 deduction phases out when a business purchases more than \$2,000,000 in one year. (Companies cannot write off more than their taxable income). The Tax Relief Act of 2010 increases the expensing allowance for 2012 to \$125,000 with a phase out threshold of \$500,000 (The dollar and investment limits would have reverted to \$25,000 & \$200,000 respectively for 2012 without the new law).

Bonus Depreciation – 100% for 2011!

The 2010 Tax Relief Act encourages businesses to invest by significantly enhancing bonus depreciation. The act temporarily increases this additional first-year depreciation allowance to 100% for qualified investments made after September 8, 2010 and before January 1, 2012 and then provides a 50% allowance for 2012. Bonus depreciation is available for all businesses and is not capped at a certain dollar level however, only new property qualifies.

Benefits of Finance Agreements and Capital Leases

Maximize the tax benefit with a **Group Financial Services** finance agreement (conditional sales contract) or capital lease. Both allow a business to acquire equipment with a low monthly payment while taking advantage of the Section 179 – \$500,000

Equipment Cost	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$400,000	\$500,000	\$550,000	\$600,000
Section 179 - 1st Year Write off: (\$500,000 is the max in 2011)	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$400,000	\$500,000	\$500,000	\$500,000
100% Bonus Depreciation (100% of remaining value after \$500,000 Sec. 179)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000	\$100,000
Normal 1st Year Depreciation (Depreciation calculated at 5 years = 20%. Amount remaining after Bonus Depreciation x 20%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total 1st Year Deduction (Sec. 179 + 100% bonus depr. + 1st year depr.)	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$400,000	\$500,000	\$550,000	\$600,000
Tax Savings Assuming Rate of 35%	\$17,500	\$35,000	\$52,500	\$70,000	\$87,500	\$91,000	\$140,000	\$175,000	\$192,500	\$210,000
Equipment Cost After 1st Year Tax Savings	\$32,500	\$65,000	\$97,500	\$130,000	\$162,500	\$209,000	\$260,000	\$325,000	\$357,500	\$390,000

Note: For complete details, or changes to the tax incentives, please visit www.irs.gov or contact the IRS helpline at: **800-829-4933**

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