

# MAXIMIZE YOUR 2024 TAX SAVINGS WITH SECTION 179:

## UNLOCK KEY BENEFITS FOR YOUR BUSINESS



**SULLIVAN  
PALATEK**

In 2024, Section 179 of the IRS tax code offers significant tax incentives that can help you upgrade your operations while cutting costs. Here's how you can take full advantage of the Section 179 deduction to improve your bottom line with new machinery.

Section 179 of the U.S. tax code allows businesses to deduct the full purchase price of qualifying equipment or software purchased or financed during the tax year, rather than depreciating it over time. This is intended to encourage small to mid-sized businesses to invest in equipment by offering immediate tax relief.

### KEY POINTS ABOUT SECTION 179 INCLUDE

#### DEDUCTION LIMIT

For 2024, businesses can deduct up to \$1.16 million of the cost of new or used equipment.

#### PHASE-OUT THRESHOLD

The deduction begins to phase out on a dollar-for-dollar basis once total equipment purchases exceed \$4.05 million for the year.

#### ELIGIBLE PROPERTY

The deduction applies to machinery, equipment, software, and even certain types of vehicles used for business purposes.

#### BONUS DEPRECIATION

Section 179 can be combined with bonus depreciation, which allows additional depreciation after Section 179 limits are reached.

This deduction is commonly used by businesses in industries such as construction, manufacturing, and transportation to reduce taxable income and improve cash flow.

For the 2024 tax year, Section 179 allows businesses to deduct the full purchase price of qualifying equipment, including machinery like air compressors, rather than depreciating the cost over several years. Here's a summary of the key details for 2024:

#### SECTION 179 DEDUCTION LIMITS

**Deduction Limit:** The maximum amount you can deduct under Section 179 in 2024 is \$1,220,000. This applies to qualifying equipment purchased or financed during the tax year.

**Spending Cap:** The total capital purchase limit for 2024 is \$3,050,000. Once your business exceeds this threshold in equipment purchases, the Section 179 deduction begins to phase out dollar-for-dollar.

#### QUALIFYING EQUIPMENT

**New and Used Equipment:** Both new and used equipment are eligible for the Section 179 deduction.

**Other Qualifying Property:** In addition to machinery like air compressors, qualifying property includes certain types of business software, office furniture, and other tangible business assets.

#### BONUS DEPRECIATION

**Bonus Depreciation Rate:** For 2024, bonus depreciation is set at 60%. It applies after the Section 179 cap has been reached. Bonus depreciation will continue to phase down over the next few years (40% in 2025, 20% in 2026, and 0% in 2027).

**Used Equipment:** Bonus depreciation applies to both new and used equipment as long as it meets the eligibility requirements.

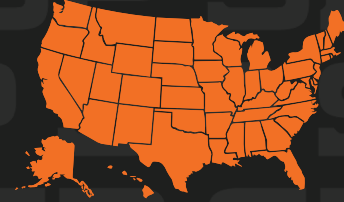
## TAX IMPACT

Section 179 and bonus depreciation can significantly reduce your tax liability by allowing you to deduct a large portion of the equipment's cost in the year it's purchased. For example, if you purchase a \$200,000 piece of equipment, you may be able to deduct the full amount under Section 179 (if you haven't reached the cap), lowering your taxable income for 2024.

## IMPORTANT CONSIDERATIONS



**Tax Bracket Impact:** The actual savings will depend on your tax bracket. For example, a 35% tax bracket could result in substantial savings on qualifying purchases.



**State Compliance:** Not all states align with federal Section 179 limits or bonus depreciation rules, so be sure to check with your state tax authority.

Consulting a tax advisor is important to determine how Section 179 and bonus depreciation apply to your specific situation. This helps ensure you're using these tools to maximize your business's tax savings while aligning with long-term financial goals.