

HUD WorkPad – Renewal Community Continued

Increased Section 179 Deduction

WorkPad for Purchasing New Equipment

Description: Allows an increased section 179 deduction up to \$35,000 on purchases of certain depreciable property, such as equipment and machinery.

Note: Only applicable in EZs and RCs (cannot be used in ECs). The RC Asset must be acquired by the taxpayer by purchase between January 1, 2002 and December 31, 2009.

Applicable IRS Tax Form: Form 4562

Applicable IRS Publication: Publication 946

Example: Leslie runs a wholesale florist operation in an RC. She purchases refrigeration equipment, work tables, a cash

register, a delivery van and desk for a total of \$65,000. Without the RC tax incentive she could only expense (take an immediate deduction) for \$24,000 and she would have to depreciate the remaining \$41,000 over the time period assigned by the Federal tax rules. With the RC tax incentive, she will be able to take an additional immediate deduction of \$35,000, bringing her total deduction for the year to \$59,000 and only \$6,000 will have to be depreciated over time. That additional \$35,000 in deductions will reduce the amount of taxes she pays that year. If she is paying taxes at a 35% rate, the savings would be equal to: $\$35,000 \times .35 = \$12,250$.

Formula

x

.35

=

Cost of Qualified Equipment
up to \$35,000

Assumed Federal Tax Rate

Amount of Taxes Saved

Please turn this page over to answer some important questions.

The formulas contained in the workpad result only in estimated tax savings and should not be officially relied upon for Federal government tax purposes. Please consult your tax preparer or the IRS for official guidance.

To ensure that the Federal Government continues to offer this valuable tax incentive to your business, please provide the following information:

1. Some businesses located in Renewal Communities and Empowerment Zones can take \$35,000 in additional Section 179 expense deductions on qualifying property. Did your business include Form 4562 **DEPRECIATION AND AMORTIZATION** in your tax return this year to claim these additional deductions?

Yes: _____ No: _____

2. How much was your firm able to claim in these additional deductions? _____

For Internal Use Only: Identification Number: _____