

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

soon become a distant memory. Under the Protecting Americans from Tax Hikes Act (PATH) of 2015, the maximum Section 179 deduction of \$500,000 is restored retroactively...

Jan. 03, 2016

[The new “extenders law” enacted late in 2015 retains several key tax provisions and makes them permanent with certain modifications. This is the first in a series of articles on these tax breaks.]

For many small business owners, those long and annoying depreciation schedules will soon become a distant memory. Under the Protecting Americans from Tax Hikes Act (PATH) of 2015, the maximum Section 179 deduction of \$500,000 is restored retroactively — and extended forever.

Other articles in this series:

- [Research Tax Credit is Back and Better Than Ever](#)
- [Count on Enhanced Tax Credit for Higher Education](#)
- [New Law Equalizes Tax-Free Transportation Benefits](#)
- [Tax Break for Rollovers from IRAs to Charity Made Permanent](#)
- [Tax Deduction for Teacher Expenses Made Permanent](#)
- [How to Inject More Cash Into A Small Business](#)
- [New Law Preserves Tax Breaks for Conservation Donations](#)
- [50% Bonus Depreciation and \\$500K Building Deduction Made Permanent](#)
- [Law Offers More Tax Benefits for Parents](#)

As you're probably well aware, Section 179 provides a current “expensing” deduction for qualified business property placed in service during the year. The Section 179

expensing deduction had been gradually raised from a modest \$25,000 figure to its

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

return. There's no need to even consult the depreciation tables.

2. The PATH Act extends this tax break permanently and provides for future inflation indexing. The inflation adjustments will begin in 2016. (The IRS has yet to announce this figure.)
3. If the cost of qualified property placed in service during the year exceeds an annual threshold, the maximum deduction is reduced on a dollar-for-dollar basis. As with the higher allowance, this threshold gradually increased from \$200,000 to \$2 million, but was scheduled to revert to \$200,000 in 2015. The \$2 million threshold is reinstated for 2015 and extended permanently, subject to annual indexing in 2016 and thereafter. (The IRS has yet to announce this figure.)
4. Previously, taxpayers could claim off-the-shelf software as qualified Section 179 property instead of using the usual three-year cost recovery period. But this tax break also expired after 2014. The PATH Act retains this enhanced rule retroactive to 2015 and extends it permanently.
5. The PATH Act permanently and retroactively reinstates the rule allowing taxpayers to elect to revoke the Section 179 deduction without obtaining the IRS' consent. This provision had also expired after 2014.
6. Before 2015, a client could elect 50% bonus depreciation in conjunction with a Section 179 allowance. But bonus depreciation generally expired after 2014. As with the higher allowance, bonus depreciation has been retroactively revived and extended, subject to a reduction over several years. For 2015 returns, you can still elect 50% bonus depreciation on the same property qualifying for a Section 179 deduction.

There is, however, one catch: Although the Section 179 election is available to most business clients, the deduction can't exceed the net taxable income from all the businesses actively operated by the taxpayer. For this purpose, net income is figured without regard to expensing, the 50% deduction for self-employment tax and any net operating loss (NOL) carryforwards or carrybacks.

Thus, if a client's taxable income tops out at \$75,000 for 2015, the maximum Section

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Accounting • IRS

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved