

## Code Sec. [179](#) Expense Deduction and Bonus Depreciation

Two of the biggest deductions available to a business are the Code Sec. [179](#) expense deduction and bonus depreciation. For 2016, the maximum amount of qualifying property that your business can expense is \$500,000. That amount is reduced one-for-one to the extent qualifying property purchased exceeds \$2,020,000.

New for 2016 tax returns, air conditioners and heating units now qualify for the Code Sec. [179](#) expense deduction.

The 50 percent bonus depreciation deduction is again available for 2016. Combined with the Code Sec. [179](#) deduction, bonus depreciation can provide your business with significant reductions in taxable income. For example, if your business purchased \$800,000 of qualifying equipment, the total first year deduction would be \$680,000 (\$800,000 - \$500,000 (maximum Code Sec. [179](#) deduction) - \$150,000 (50% depreciation x remaining basis of \$300,000) - \$30,000 (normal depreciation of 20% x remaining basis of \$150,000)).

In addition, if your business filed its 2014 return (or its 2015 short year return) before the enactment of last year's tax extenders bill on December 18, 2015, your business may be able to retroactively elect to take the 50-percent bonus depreciation deduction for qualified property placed in service during the 2015 portion of fiscal years beginning in 2014. If you think you might be eligible, we should meet to discuss the possibility of electing the retroactive bonus depreciation.