



## Press Release

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### Five Things Businesses Need to Know About Section 179 and the Fiscal Cliff

*Businesses need to understand the Section 179 deduction, assess need for equipment, and determine when equipment acquisition is in financial best interest*

**Calabasas, Ca. November 8, 2012**—With great uncertainty regarding the “fiscal cliff” of spending cuts and tax code revisions due to occur in 2013 unless Congress acts by year end, many businesses are assessing whether they should invest now in plant and or equipment. According to Mike Lockwood, president of [TEQlease Capital](#), a nationwide provider of [equipment lease financing](#) solutions, businesses need to be careful not to overreact to the fiscal cliff warnings, and need to determine how potential federal tax changes might affect their small business depreciation deductions including Section 179.

Section 179 of the IRS Code was enacted to help small businesses take a depreciation deduction for capital expenditures in one year, rather than depreciating them over a longer period of time. By taking the full deduction for the cost of the asset immediately, rather than being required to spread out the deduction over the asset's useful life, businesses can realize a substantial tax savings.

As Section 179 presently stands, businesses can deduct up to \$139,000 of the cost of qualifying new and used business equipment placed in service in 2012. The deduction is scheduled to drop significantly to just \$25,000 in 2013 unless Congress intervenes. In 2011, the deduction was \$500,000 of qualifying new and used assets.

Lockwood recommends that businesses consider the following before making any year end equipment decisions.

- **History.** In both 2008 and 2010 businesses had to wait to see if Congress would extend 179 deduction benefits and in both instances Congress did. However, Congress extended the 2010 deductions in 2011, not by the end of the year. The effect of the law was made retroactive to 2010. Most likely it will be unknown in 2012 what the law changes will be, if any; and the outcome will not be clear until sometime in 2013. Although there is uncertainty as to what Congress will do and when, by contrast today businesses do know what can be depreciated and deducted in 2012 and can act accordingly now.
- **Math.** Before making a decision on any equipment or plant acquisition, businesses need to make sure they understand the economics. Meet with your tax advisor now and determine whether deferring a purchase may have an adverse tax impact. Run separate tax scenarios with your advisor including one scenario based on 2012 deduction amounts, a second based on the 2013 deduction amount and a third with pre-Bush Section 179 depreciation allowances.
- **Credit.** [Make sure your business credit is in good shape](#) before deciding on leasing or financing any equipment. In order to secure the best terms, you need to demonstrate your business has a positive cash flow, manageable debt load, positive payment history, and management can demonstrate sound business judgment. If your business credit is not in good shape, now is probably not the time to finance or lease equipment regardless of the deduction.
- **Timing.** In order to take advantage of the Section 179 deduction in 2012, businesses must have the equipment in place and operational by December 31, 2012. One day later and you may revert to the maximum \$25,000 deduction for 2013.
- **Indecision.** This can be the death knell for many businesses. Businesses that are stuck in a holding position while they wait for Congress may be missing important opportunities.

“It never makes sense to base important decisions such as a business expansion or the acquisition of new equipment exclusively on tax incentives,” explained Lockwood. “Instead we recommend businesses weigh anticipated efficiencies, whether competitors have gained an advantage with newer equipment, and the availability of equipment with added capabilities as factors which are drivers for acquiring equipment.”

#### **ABOUT TEQlease**

TEQlease Capital is a nationwide provider of equipment lease financing solutions across all industries, including manufacturing, education, distribution, financial services, healthcare, and retail organizations. TEQlease Capital customers include Fortune 500, medium-sized, and small businesses. Founded in 2000, the company is based in Calabasas, California. For more information visit <http://teqlease.com/>, call 1-818-222-1006, or email [sales@teqlease.com](mailto:sales@teqlease.com).

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