

You Can Reap Up To \$19,000 Of Immediate Deductions

For Computers And Other Business Assets!

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As your business grows you will be acquiring moneymaking assets such as computers, software, telephones, faxes, furniture & fixtures, etc. (some of the necessary tools of a successful real estate investor). Provided you meet certain tests (see below), you may be able fully deduct these assets through what is known as "First Year Expensing" or the "179 Deduction." First year expensing allows you to deduct, all in one year, up to \$18,500 for the purchase of business assets. This means faster tax dollars in your pocket!

EXAMPLE: Rhonda Realtor is in a 40% Schedule C tax bracket. She buys \$10,000 worth of computers, software, furniture, etc. Rhonda can fully deduct the \$10,000 as a first year expense on her Schedule C. Rhonda's after-tax cost for this valuable equipment is only \$6,000 (\$10,000 less \$4,000 in tax savings in a 40% bracket). The government paid for \$4,000 of it! The tax savings could be reinvested in more moneymaking tools so Rhonda could continue to grow.

The full First Year Deduction is still permitted in the current tax year even if the business asset (computer, fax, etc.) is placed in service on the last day of the year up until 12 midnight, December 31. It also makes no difference if the business asset is obtained with little or "no money down", or if it is acquired with a bank loan, installment plan or lease-purchase.

IRS Requirements For First Year Expensing

The deduction is limited to the net income of your business. Thus, you will not be entitled to first year expensing where you have a net loss at the bottom of your Schedule C (before taking into account the first year expensing). However, you can increase this deduction limit by including salaries and other net business income. On a joint return, you can also include your spouse's taxable income.

Any amount that cannot be currently deducted because of the above limitation, can be carried forward indefinitely (not back) to future years until it is used up. (Note: If you do not want to elect first year expensing at all, you still are entitled to depreciation deductions over 5 or 7 years.)

Your business use of the asset must exceed 50%. Otherwise, you can elect only the straight-line method of depreciation for business assets.

If the business asset is purchased from certain related parties, you cannot take first year expensing. However, you are entitled to depreciation deductions. Check with competent tax counsel.

The above are excerpts from The Real Estate Professional's Bible of Tax Strategies, by: Albert Aiello. \$34.95. To order, and for a list of his other publications, call toll free at 1-888-544-4636 or (215) 937-9207.