

Small Business Expensing Examples

The following examples are based upon expensing levels under H.R. 4457, America's Small Business Tax Relief Act of 2014. H.R. 4457 allows an immediate deduction of up to \$500,000 of investments in property used in a trade or business. Under current law, only \$25,000 of investments can be immediately deducted.

Qualified property under H.R. 4457 includes:

- Equipment (machines etc.) purchased for business use
 - Certain restaurant, retail and leasehold improvement to real property
 - Vehicles
 - Office equipment and furniture
 - Computers and "Off-the-shelf" computer software.
- 1) A farmer purchases a large combine (considered machinery under the bill) for harvesting wheat that costs \$300,000. With increased expensing under H.R. 4457, the business owner can immediately deduct the entire cost of this machinery in the year it is placed in service because it is under the bill's \$500,000 threshold. Under current law, only \$25,000 could be immediately deducted, and the remainder would have to be depreciated over 7 years.
 - 2) The owner of a pizza shop installs new pizza ovens and countertops that cost \$100,000. Because these improvements are "qualified restaurant improvement property," they can be immediately deducted under the new bill. Without H.R. 4457, all of these improvements would have to be depreciated over 39 years.
 - 3) A business owner is opening a new branch office and purchases new office furniture, computers and printers that cost \$50,000. Under H.R. 4457, the entire amount could be immediately deducted. Under current law, the \$25,000 that could not be deducted would have to be depreciated over 7 years for the office equipment and 5 years for the computers and printers.
 - 4) A contractor purchases two work vehicles, a full size pick-up truck and a cargo van that together cost \$60,000. Because these types of work vehicles can be immediately deducted, the entire purchase price can be expensed under H.R. 4457. Under current law, \$35,000 of the cost must be depreciated over 5 years.