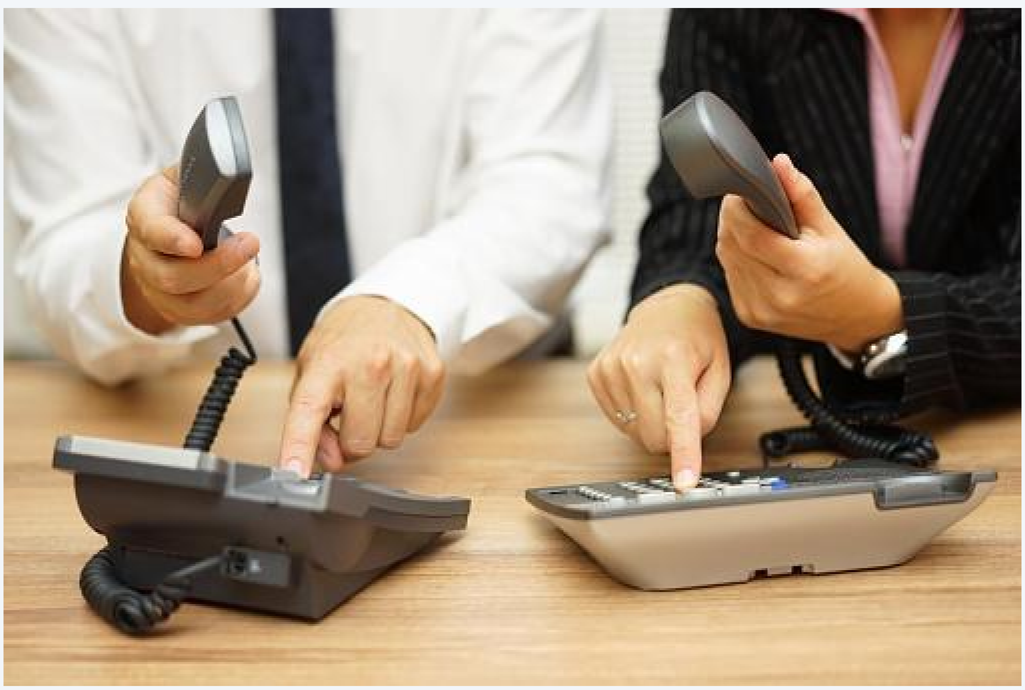
TELETRONICS
7133 N. Mona Lisa Rd. Tucson, Arizona 85741
Tucson Phone: (520) 742-1400 Tucson Fax: (520) 742-8879
Phoenix Phone: (602) 732-7260 Phoenix Fax: (602) 635-3838
Website: www.teletronicsusa.com
Email: info@teletronicsusa.com
ROC 197334

TELETRONICS INFORMATION SYSTEMS, INC. Technology Solutions Centered Around You

Can You Claim Your Business Phone System Under Section 179?

Understanding how business owners can take advantage of the Section 179 tax break on new telecom systems



In an increasingly competitive market, business professionals across all industries are always looking for ways to cut overhead costs and taking advantage of tax deductions is a huge part of that. Recently, conversations about the Section 179 tax deduction have been dominating the American business environment.

Many business owners are wondering what's covered under the equipment deduction mandate and what's not. Specifically, we've been getting lots of questions from clients about whether or not business telecommunications systems are eligible for deduction under the Section 179.

The short answer is, yes! Business telecommunication systems are considered [deductible equipment under the Section 179 mandate](). But since we've been getting so many questions about the deduction, let's review the key things business owners should know about taking advantage of Section 179.

Breaking Down the Tax Code: Why was Section 179 Created?

Section 179 is an IRS tax code specifically designed to help business owners cut overhead costs. Specifically, the code allows for increased savings for business owners come tax season. Section 179 allows business owners to deduct the full amount of business equipment purchases within a calendar year.

The IRS Section 179 deduction was enacted to help small businesses take a depreciation deduction for certain assets in one year, rather than depreciating them over a longer period of time (typically over a 5 to 6 years).

Why You Should Care: Understanding the Strategic Benefits of Section 179 for Business Owners

The benefits of Section 179 for SMBs are twofold. First, and most obviously, the tax break allows business owners to save valuable dollars at tax time. This alone is great for a company's bottom line. It allows business owners to make an outright deduction, equal to the full purchase price of a qualifying piece of equipment. This helps businesses reduce taxable income, and ultimately alleviate business tax burdens.

Second, it offers a great incentive for business owners to finance or invest in a wide variety of business equipment and resources. With the ability to deduct the full purchase price, businesses are able to more strategically implement company equipment and resources to address needs.

Defining Business Equipment: What Equipment Qualifies and What Doesn't under Section 179

Before business owners hop on the Section 179 bandwagon, it's critical to have a baseline knowledge of what's deductible and what's not. The last thing any business owner wants is to make a huge investment only to find out it's not deductible under Section 179.

Let's look at what business equipment is deductible and what's not covered:

QUALIFIES:

- Servers
- Networking Equipment / Switches
- Phone & Telecommunications Systems
- Routers & Firewalls
- Computers
- Laptops
- Monitors
- Wireless Internet
- Copiers
- Printers
- Scanners
- Storage Devices
- Battery Backups
- Non-customized, off-the-shelf software

DOESN'T QUALIFY:

- Real Estate
- Permanent Structures / Buildings
- International Property
- Gifted or inherited equipment
- Used equipment

Is Your Business Telecom System Covered Under 179?

As has been seen, **yes business telecommunications systems are covered equipment under Section 179.** Basically, qualified equipment is any tangible, depreciable, personal property which is acquired for use in the active conduct of a trade or business. This means, if your business has been thinking about *finally* upgrading your telecommunications system, Section 179 offers huge incentive to pull the trigger.

Any material, long-term property that is used more than 50% of the time for business purposes can qualify for this incentive, regardless of whether the property is bought or leased. However, the IRS must deem the property as fit for the incentive by confirming that the property will last more than one year.

When it comes to telecommunications, such qualifying properties include:

- Business phone systems
- Unified Communications systems
- Voice solutions

So, long story short, telecom system purchases can be deducted under Section 179, so long as the solutions you've purchased are investments for the long term. Really, it's all about making it easier for business owners to invest in reliable, long-lasting equipment to enrich business operations. Investing in a new, permanent telecom system to optimize business communication, is definitely deductible under Section 179.

What Are the Limitations?

As amazing as Section 179 is, it does have some [key limitations]. Businesses *cannot* utilize this tax incentive if their deductions are greater than their net taxable business income for the year in question. This sounds like a lot of financial jargon but determining if your eligible isn't that difficult. To find the magic number, simply use the following equation:

- *Business income – Business deductions = net taxable business income*
- Do not factor in the deduction for 50% of self-employment tax or any net operating losses.
- If the above equation shows that you have a net loss for the year, you are not eligible for the Section 179 tax deduction.

Doing the Math: How Section 179 Saves Taxable Income for Business Owners

In order to get a better idea of *how* the savings actually work, it's helpful to compare the traditional cost relief system (MACRS) with the new deduction parameters under Section 179.

Here's how the traditional Modified Accelerated Cost Recovery System (MACRS) works:

- Say a business with a gross income of $100,000, buys out a $1 phone system valued at $20,000.
- The MACRS method of depreciation only allows you to deduct 20% in the first year ($100,000 x 20% = $20,000 in depreciation).
- This reduces a company's taxable income to $80,000.

However, under the Section 179 Depreciation:

- Say a business has a gross income of $100,000, and you buy out a $1 phone system valued at $100,000.
- The Section 179 Deduction depreciation method allows businesses to depreciate the full amount in one year ($100,000).
- **This reduces a company's taxable income to $0.**

This is simply a hypothetical example. However, there are a variety of tools online to help business owners calculate their deduction potential. To get an estimate, check out this Section 179 tax deduction calculator online.

The Clock is Ticking Don't Miss out.

Depending on the equipment purchases your company has made this year or has planned, there are huge benefits to be taken advantage of with Section 179. Getting to know the code is the first step.

However, even if you don't make the deadline this year, Section 179 should be in the back of your mind as you plan for next year's equipment purchases and upgrades. If you've been considering replacing your current business phone system and upgrading to a unified communications system, *now is the time*. You can deduct the entire cost of that new system under Section 179. A brand-new telecom system that's entirely tax deductible? In an increasingly busy and competitive business market, that's a no-brainer.

For business who may have been considering a new telecom system this year, you have to take advantage of equipment deductions in the upcoming tax season. Don't waste time if you want to reap the benefits of the upcoming tax season.

Time For A New IT Company?

PNJ Technology Partners Helps Businesses Overcome All Their Technology Challenges. Trust Us To Help You.
Fill out the form below to get started.