

Bonus Depreciation Increased



Purchase POS equipment in 2011 to take advantage of **100%** Bonus Depreciation

Due to a recent tax relief law, businesses can depreciate 100% of personal property assets put in service during 2011. Bonus Depreciation falls to 50% for personal property assets put in service during 2012.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853) was signed into law on December 17, 2010. This legislation extends bonus depreciation through the end of 2012 and temporarily increases, **for 2011 only**, the amount of bonus depreciation from 50% to 100%.

Technically, the Act provides 100% bonus depreciation for business assets (such as Point-of-Sale equipment) placed in service from 9/9/10 through 12/31/11; there is no dollar limit to the amount of depreciation that may be claimed in 2011. Bonus depreciation falls to 50% for assets placed in service during 2012 and is **eliminated** after 12/31/12.

According to the Act, businesses may write-off 100% of the cost of depreciable property installed during 2011 provided:

- the equipment is used in the U.S.
- the equipment is new
- the original use of the equipment must commence between 1/1/11 and 12/31/11
- the asset is depreciable under the Modified Accelerated Cost Recovery System (MACRS) and has a depreciation recovery period of 20 years or less

Typically, businesses recover the cost of equipment and other capital investments through specified MACRS depreciation schedules. Under this system, Point-of-Sale equipment has a five-year life and the recovery deductions by year are 20%, 32%, 19.2%, 11.5%, 11.5%, and 5.8%. Accelerating depreciation to 100% of the cost of an asset (as opposed to depreciating that asset over its MACRS life) lowers a company's current tax liability. It should also be noted that bonus depreciation can be used even to the extent that it creates a tax loss, thereby possibly triggering a refiling of previous year's tax returns and creating tax refunds.



Note: We strongly urge that you seek advice from a qualified tax professional.

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