

## 2025 OBBBA Update: How Section 179 Can Save Your Business Thousands in Taxes

When your business needs new equipment, software, or upgrades, the price tag can feel steep, but there's a tax break designed to help you recover those costs faster, Section 179. Let's break down how it works and why it can be a smart move for your bottom line.

Section 179 lets you deduct the full cost of qualified property, like equipment, software or business vehicles, in the same year you place it in service. This approach accelerates deductions instead of spreading them out over time. That upfront deduction can improve your cash flow and help you make investments sooner. It's especially useful for small to mid-sized businesses looking to stay agile.

Here are some key rules to keep in mind. The maximum amount you can deduct is \$2.5 million and that begins to reduce once your total asset purchases go over \$4 million. You can't deduct more than your business's taxable income, but if your deduction exceeds your income, you can carry the unused amount into future years.

Section 179 applies to tangible and qualifying real property, like machinery, office gear, vehicles, off-the-shelf software, and certain building improvements. And once you exceed the Section 179 limits, you may tap into bonus depreciation, which can allow you to deduct a percentage of the remaining cost.

Let's break that down with an example. Say your business buys \$2.7 million in qualifying equipment. You deduct up to the Section 179 max or \$2.5 million. The remaining \$200,000 may still qualify for bonus depreciation, and then any unused Section 179 deduction due to low business income can be carried forward.

What are your next steps? Here's an easy list to follow. Plan your asset purchases around your tax year to optimize deductions. Track business usage carefully, especially for vehicles where use must exceed 50%. Keep detailed records, including invoices, placement dates, usage percentages, and asset lists. Review state rules, since some states may limit or modify federal deductions. Coordinate with bonus depreciation, especially if you're planning significant purchases beyond your Section 179 limits.

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Section 179 is a smart, flexible tool for businesses to manage expenses and keep more cash in your business. Talk with your tax advisor to map out how it fits into your broader growth strategy.

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