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Starting in 2018, Fire Protection Systems in Commercial Structures Now Eligible for Full Tax Deduction under Section 179

Section 179 of the IRS Tax Code was designed with businesses in mind. By allowing businesses to deduct the full amount of the purchase price of equipment (up to certain limits), Section 179 is an incentive to purchase, finance or lease equipment this year. The equipment purchased, financed or leased must be within the specified dollar limits of Section 179, and the equipment must be placed into service in the same tax year that the deduction is being taken.

The Tax Cuts and Jobs Act

On December 22, 2017, [H.R. 1 \(also called The Tax Cuts and Jobs Act\)](#) was signed into law. This is responsible for many changes to taxes for both businesses and individuals including two important changes to the U.S. tax code providing incentives for businesses to invest in new security, fire protection and alarm systems. These incentives were part of the broader effort in the new law to produce long-term economic growth by encouraging business to make capital investments.

Starting in 2018, this new tax law allows businesses to write off the full cost of such systems as an expense for the tax year they were placed in service, eliminating the capitalization requirement.

Deduction Limits and Qualifying Property

The deduction limit for Section 179 allows businesses to now deduct up to a total of \$1 million in purchases that qualify. This deduction phases out on a dollar-for-dollar basis after a business has \$2.5 million in total qualifying purchases, reaching zero at \$3.5 million. The Section 179 deduction applies to tangible personal property such as machinery and equipment which is purchased for use in a trade or business. The new law increases the scope of qualified property to include "qualified real property" which includes the following improvements to nonresidential real property after the date the property was first placed in service: roofs; heating, ventilation, and air-conditioning property; fire protection and alarm systems; and security systems. [Click here for qualifying property.](#)

Bonus Depreciation and Section 179

An important difference is both new and used equipment qualify for Section 179 deduction, while Bonus Depreciation covers new equipment only and applies to residential property. Bonus Depreciation is useful to very large businesses spending more than Section 179's spending limit for that year. Businesses with a net loss in a given tax year qualify to carry-forward the Bonus Depreciation to a future year. When applying these provisions, Section 179 is generally taken first, followed by Bonus Depreciation - unless the business has no taxable profit in the given tax year.

More Information

Section 179 may change each year without notice. For more information, please visit the [IRS website](#) and the Section 179 Tax Deduction [website](#). This information is not intended to and does not constitute tax advice. Please consult your tax advisor.