

SECTION 179



MACHINERY
FINANCE RESOURCES

Deduction Checklist for 2025

Section 179 of the Internal Revenue Code allows small manufacturing companies to **deduct the full cost of qualifying depreciable assets** (like equipment, vehicles, and software) **in the year they're placed in service**, rather than depreciating them over time. This can significantly improve cash flow and reduce taxable income. For 2025, recent legislation (such as the One Big Beautiful Bill Act or OBBBA) has expanded the limits, with the maximum deduction now at **\$2,500,000** and a phase-out threshold of **\$4,000,000** (fully phased out at \$6,500,000 in total qualifying purchases). Bonus depreciation is also restored to **100%** for assets acquired after January 19, 2025.

Use this checklist to determine eligibility and steps to claim the deduction. Always consult a tax professional, as rules can vary by business type and state conformity.

BUSINESS ELIGIBILITY



- Your business is a sole proprietorship, partnership, corporation, S-corporation, or LLC taxed as one of these (not estates, trusts, or certain noncorporate lessors).
- The business has sufficient taxable income to offset the deduction (excess can carry forward).

QUALIFYING PROPERTY



- Property is tangible personal property (e.g., machinery, office furniture, computers, off-the-shelf software).
- Includes certain qualified real property (e.g., nonresidential building improvements like roofs, HVAC, security systems).
- New or used equipment, as long as it's new to your business (not previously owned or used by you).
- Excludes: Land, buildings (except qualified improvements), inventory, property used outside the U.S., or air conditioning/perimeter fencing.

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PURCHASE AND TIMING REQUIREMENTS



- Property was purchased or financed in 2025.
- Property was placed in service (operational and used in business) between January 1, 2025, and December 31, 2025.
- Total cost of all qualifying property placed in service does not exceed phase-out thresholds (deduction reduces dollar-for-dollar above \$4,000,000; fully eliminated above \$6,500,000).

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DEDUCTION LIMITS



- Total deduction claimed does not exceed \$2,500,000 (or your business income).
- Considered combining with 100% bonus depreciation for assets acquired after January 19, 2025 (applies after Section 179 cap).

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DOCUMENTATION AND FILING



- Maintain records: Invoices, financing documentation, proof of business use, and placed-in-service date.
- Elect the deduction on IRS Form 4562 (filed with your 2025 tax return; not automatic).
- Reviewed state tax rules (some states don't conform to federal limits).
- Consulted a tax advisor to avoid errors (e.g., claiming ineligible property or missing carryover opportunities).



COMMON PITFALLS TO AVOID

Don't claim on property already owned or used personally.

Ensure assets aren't required to be depreciated over time (e.g., via bonus depreciation election).

Track total purchases early to stay under phase-out limits.

For more information, please visit www.mfresources.com or contact us at (888) 808-0834.

