

# SECTION 179 VS. BONUS DEPRECIATION

## DEDUCTION LIMITS

Allows businesses to expense a specific dollar amount of qualifying property.



Allows businesses to deduct a percentage of the asset's cost. The rate is 100% for 2025 if acquired and placed in service after January 19, 2025.

## ANNUAL LIMITS

**Yes**, for the 2025 tax year, the maximum deduction is \$2.5 million.



**No**, there is no annual limit on the bonus depreciation deduction amount.

## PURCHASE PRICE

**Yes**, the deduction is reduced dollar-for-dollar for total equipment purchases exceeding \$4 million. The deduction is completely phased out at \$6.5 million.



**No**, there is no spending limit that triggers a phase-out.

## TAXABLE LOSS

**No**, the deduction cannot exceed the business's net taxable income for the year. Any unused deduction can be carried forward.



**Yes**, it can be used to create a net operating loss, which can be carried forward to future years to offset income.

## QUALIFYING EQUIPMENT

Covers a wider range of property, including equipment, machinery, and software.



Covers property with a recovery period of 20 years or less, such as equipment, furniture, and qualified improvement property.

## USED EQUIPMENT

**Yes**, the deduction applies to both new and used equipment.



**Yes**, the deduction can be applied to used property as long as it is the first time the taxpayer has used the asset.

## COMBINED SAVINGS

The Section 179 deduction is typically applied first. Any remaining costs of qualifying assets can then be considered for bonus depreciation.



Bonus depreciation is often used after the Section 179 limit is reached, or for businesses with high capital expenditures.