Crossed

Are those generous Section 179 deductions for business clients a thing of the past? Under current law, the maximum deduction is just a fraction of the high-water mark that was allowed prior to its expiration after 2013.

Ken Berry • Jun. 24, 2014

Are those generous Section 179 deductions for business clients a thing of the past? Under current law, the maximum deduction is just a fraction of the high-water mark that was allowed prior to its expiration after 2013.

But don't give up hope just yet. According to Dean Sonderegger, Executive Director of Product Management at Bloomberg BNA Software, the chances for an eventual extension remain promising, despite the pending departure of two key players in the House. Sonderegger is keeping tabs on developments in our nation's capital.

Under Section 179 of the tax code, a business taxpayer can currently deduct, or "expense," qualified assets placed in service during the year, up to a specified amount. After a series of extensions (with some modifications), a maximum deduction of $500,000 was allowed for 2013, subject to a phaseout for assets costing more than $2 million. However, when this provision expired after 2013, the limit for 2014 reverted to a paltry $25,000 with just a $200,000 phaseout threshold.

Although both chambers of Congress are debating legislation that would extend the higher Section 179 expensing allowance, Sonderegger points out that their methods vary. "There are two different approaches," he said. "The Senate bill proposed by Senator Wyden would provide just a 2-year extension." But this bill has stalled in the Senate. In contrast, he says that the House's approach is "to think about it piece by piece." The House bill would make the Section 179 provision permanent, and seems to have more steam than the Senate bill, but Sonderegger believes that President

In addition, the announced retirement of Rep. Dave Camp. (Rep.-MI), powerful chairman of the tax-writing Ways & Means Committee, is an obstacle to a permanent extension of a more generous Section 179 allowance. But Camp's proposed plan for more comprehensive tax reform, including a permanent extension of Section 179, had gained little traction even before his announcement. At this point, it appears that a full-scale overhaul of the tax code is off the table.

At least Sonderegger is more optimistic about a temporary renewal of the Section 179 deduction, plus the accompanying 50% bonus depreciation break, than he is about extensions for some of the other expired tax provisions. He indicates there is strong support within the business community, as well as among some Congressional leaders, to extend these tax incentives. Yet we'll likely have to wait a while longer for a divisive Congress to agree to terms. "Traditionally, these extensions are approved in lame-duck sessions," noted Sonderegger. He puts the odds of passage after the elections in the 60-to-70 percent range. Bottom line: Advise clients to proceed with cautious optimism.

Accounting • Income Tax • IRS • Small Business