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SBLC Applauds Congress’ Passage of Legislation to Make Permanent or Extend Tax Provisions Key to Small Business Growth and Success

Washington, DC – Today, the Small Business Legislative Council applauded Congress’ passage of a key tax package which will, among other things, make permanent Section 179 deduction limits and extend 50 percent bonus depreciation.

“This legislation will provide certainty for small businesses in an area where it has long been lacking” said SBLC President and General Counsel, Paula Calimafde. “Every day that these expired tax provisions have been unresolved has meant another day of uncertainty for small business owners who are being forced to plan for their business’ future without being able to assess what their annual tax liability will be. We are pleased that Congress has finally taken action on this issue and provided small businesses with certainty for 2016 and beyond.”

Section 179 and bonus depreciation both allow businesses to write off set amounts of annual investment in capital assets, such as machinery, in the year that the asset is purchased or leased in lieu of depreciating the investment over a number of years. Being permitted to recognize a deduction for the cost of an asset in the year in which the expense is incurred, is extremely important for the growth of small businesses. This is particularly true for small businesses in the first few years of existence when significant investments in capital assets are required and the business has not yet become profitable and is at the greatest risk of failure.

Since 2003, there had been nine temporary increases or extensions to the Section 179 limits. In 2013, the American Taxpayer Relief Act temporarily increased the Section 179 deduction limit to $500,000 and increased the cap on the amount of capital assets that a business can purchase in a given year before their eligibility to take the Section 179 deduction is reduced or eliminated to $2,000,000. On January 1, 2014, these limits reverted back to the pre-2003 levels which, without inflation indexing, was a deduction limit of $25,000 and an asset purchase cap of $200,000. Similarly, bonus depreciation, which was first introduced in 2002, expired altogether on December 31, 2013.

The tax package makes increased Section 179 limits permanent and indexes them for inflation. Legislation will also extend 50 percent bonus depreciation through the end of 2017 after which it will be decreased by ten percent each year for the following two years (40% in 2018 and 30% in 2019). The SBLC is hopeful that 50 percent bonus depreciation will be made permanent by the end of 2017. In a survey of the more than 50 trade associations that comprise the SBLC, Section 179 and bonus depreciation were voted as the two most valuable “extender” items for their respective members. SBLC members cover the entire spectrum of small businesses throughout the nation. Many other tax items that were permanently extended will also be beneficial to small businesses, including the permanent built-in gains relief for the Sub-S members of our trade associations and the 2 year delay in the Cadillac Tax.

The SBLC thanks lawmakers for taking this action which will help innumerable small businesses to be able to plan effectively and thereby grow and flourish.

The SBLC is an independent, permanent coalition of 50 diverse national trade and professional associations whose goal is to maximize the advocacy and presence of small business on Federal legislative and regulatory policy issues, and to disseminate information on the impact of public policy on small businesses.

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