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Is Your Business Leaving Money on the Table?

Business owners throughout the country are leaving billions, with a capital B, of dollars on the IRS table. How is this possible you ask? As part of the Bush Tax cut, businesses may deduct (expense) up to \$100,000 from taxable income for purchases of new equipment put in service by December 31, 2004. It's called Internal Revenue Code Section 179. Many of you are thinking, "that's great but I don't have \$100,000 to spend on new equipment".

You do not have to have the cash to benefit from this provision. If you borrow the money through a properly constructed lease, you may still be able to take advantage of the deduction.

Another very significant benefit often goes unnoticed. Let's say you have very little or no taxable income in your business, but you or your spouse has another job where you do have taxable income. Under the right circumstances you may still be able to deduct the equipment acquisition from your tax return if you file jointly. Below are two examples to clarify the provisions.

Example 1: You own a business and your taxable income prior to taking the 179 deduction is \$75,000. You need some new equipment but don't want to use your cash, as you know cash is the lifeblood of any business. You decide to go the leasing route as shown below for a \$25,000.00 purchase. (A)

	Without Using Section 179	Using Section 179
Original Taxable Income	\$75,000	\$75,000
New Taxable Income	\$75,000	\$51,000
Taxes Due to Uncle Sam	\$15,307	\$8,587
Tax Savings	0 -	\$6,720
Lease Payment for 60 Mo. Lease	\$545	
Portion of your lease paid by your tax savings: Over 12 Months. (\$6,720 divided by \$545 = 12.3 Months)		

Example 2: Using the same example above, but you had no taxable income in your business. Your spouse, however, had W2 income of \$75,000. The same numbers would hold true if filed on a joint return.

In either case you get the equipment your business needs and your tax savings will pay for several months of your lease payments. Think about it! Get new equipment or pay the money to the IRS. You can even structure your lease so that regular payments don't begin until next year and your out of pocket can be as low as \$20.00.

For Questions or if you would like to take advantage of this Tax savings please call
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Sincerely,
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