Section 179 Program Overview for 2025

Key Features of Section 179 for 2025:

1. **Deduction Limit:**
   - For 2025, businesses can deduct up to **$2,500,000** in the year of purchase for qualifying property.
   - The deduction begins to phase out when a business purchases more than **$4,000,000** in qualifying equipment.
   - The deduction fully phases out once total purchases exceed around **$6,500,000**.
2. **Bonus Depreciation:**
   - For property acquired and placed in service **after January 19, 2025**, the bonus depreciation rate is reinstated to **100%** and made permanent.
   - For property acquired **on or before January 19, 2025**, the bonus depreciation rate is **40%**.
   - This bonus depreciation applies to both new and used properties with a life of 20 years or less.
3. **Qualifying Property:**
   - Tangible personal property such as machinery, equipment, vehicles, and furniture.
   - Off-the-shelf software purchased for business use.
   - Qualified real property improvements including roofing, HVAC systems, fire protection, and security systems for nonresidential properties.
   - Does not apply to land, investment property, or property used predominantly for lodging.
4. **Vehicle Deductions:**
   - Larger vehicles (vans, trucks, SUVs) with a **gross vehicle weight rating (GVWR) over 6,000 lbs** can qualify for a full Section 179 deduction, up to the limit.

- Passenger vehicles and light trucks under 6,000 lbs are subject to limits:
  - Heavy SUVs and trucks (GVWR between 6,000 and 14,000 lbs) have a deduction cap of **$31,300**.
  - Passenger vehicles under 6,000 lbs have a lower first-year deduction limit (around $12,200).
- Vehicles must be used more than 50% for business purposes to qualify.

5. **Leased Equipment:**
   - Section 179 can apply if the lease qualifies as a capital lease, providing ownership-like rights to the lessee.
6. **State-Specific Rules:**
   - Most states follow federal Section 179 rules, but some states have different limits or do not conform. Always check state tax codes.

Benefits of Section 179 for Businesses in 2025:

- **Immediate Tax Relief:** Accelerates depreciation by fully deducting the purchase cost in the year of acquisition.
- **Improved Cash Flow:** Reduces taxable income, allowing for reinvestment into the business.
- **Planning Considerations:** Be strategic about timing and necessity of purchases to maximize tax benefits

Summary Comparison 2024 vs. 2025:

Feature	2024	2025
Deduction Limit	$1,160,000	$2,500,000
Phase-Out Threshold	$2,890,000	$4,000,000
Bonus Depreciation Rate	80%	100% (after Jan 19, 2025); 40% before
Heavy SUV Deduction Cap	$31,300	$31,300
Passenger Vehicle Limits	Subject to limits	Subject to limits

Final Thoughts:

For 2025, the Section 179 deduction limit and phase-out thresholds were significantly increased, potentially doubling the deductible amount compared to 2024. The bonus depreciation was reinstated at 100% for most purchases after mid-January, making this year attractive for businesses investing in equipment and vehicles.

Consultation with a tax advisor is recommended to optimize the use of Section 179 and bonus depreciation based on your business's purchase timing and financial situation.