

# NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Small-Business/Section 179 Expensing



**NFIB supports permanent increases in Section 179 expensing limits. Because of the budgetary rules in the Senate, the expensing limit increases are set to expire in 2009. These higher limits must be made permanent.**

- Section 179 of the Internal Revenue Code allows small businesses to elect to deduct all or part of the cost of certain qualifying property in the year it is placed in service, instead of over a specified recovery period. However, there are limits on the amount you can deduct in a year and on the types of properties that qualify.
- Under current law, as signed by the president in 2003, there is an annual maximum dollar limit. The total cost of Section 179 property has been increased from \$25,000 to \$100,000. This maximum dollar limit is reduced if you go over the investment limit in any year.
- There is also an investment limit. The new tax law increases the investment limit from \$200,000 to \$400,000. If the cost of your qualifying Section 179 property is over \$400,000, you must reduce the maximum dollar limit for each dollar more than \$400,000.
- Allowing small-business owners to immediately expense critical investments is key to the expansion of our economy. It puts money back into the hands of small-business owners so they can hire new workers and put money directly into the economy allowing small businesses to purchase new equipment.
- A majority of NFIB members' growth is limited by the lower expensing limits because these small businesses exceed the limits early in the year.
- Making the increased limits permanent provides stability for small-business owners. They can plan for the future without having to worry about coming back to Congress and asking for additional increases to keep up with inflation.
- In fact, according to NFIB's May 2005 Small Business Economic Trends Report, 63 percent of small-business owners reported capital outlays over the past six months. Of those reporting, 44 percent acquired new equipment, 26 percent purchased a new vehicle, 16 percent bought furniture, 14 percent improved and/or expanded existing facilities and 7 percent built new facilities.
- Higher expensing limits will not only reduce the cost of capital investments, but they will also eliminate depreciation record-keeping requirements.

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