

Small Business Notes

Minnesota Department of Employment
and Economic Development (DEED)

New Tax Law Makes Important Expansions for Small Business Expensing

The new federal Tax Cuts and Jobs Act (P.L. 115-97, signed by the President on December 22, 2017) makes important and beneficial changes to business expensing under Section 179 of the Internal Revenue Code.

In this issue:

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Section 179 enables a taxpayer (for example a small business) to take an immediate expense deduction for the costs of certain property put into service in a taxable year, rather than requiring the taxpayer to capitalize that property as an asset and depreciate it over a scheduled number of years.

The dollar limitation on the aggregate cost of property available for expensing in any tax year beginning after December 31, 2017 is increased by the new law from \$500,000 to \$1,000,000.

The amount available for expensing is reduced by the amount by which the cost of property exceeds \$2,500,00 –up from the previous threshold of \$2,000,000.

The new law allows for application of Section 179 expensing to “qualified real property” which includes non-residential property improvements previously unallowable; for example roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems.

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