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Higher deduction allowed for business assets

Businesses may now claim a higher federal and Rhode Island expensing deduction amount for assets placed in service in 2014.

Under [H.R. 5771](#), which was approved by Congress and signed into law by President Barack H. Obama on December 19, 2014, the Internal Revenue Code Section 179 deduction limits were increased retroactively. Under the new law, the limits are increased for one year, applying for assets placed in service at any point during 2014. Rhode Island law automatically follows the federal increases – due to [legislation approved by the General Assembly and signed into law by Governor Lincoln D. Chafee in July 2013](#).

“This is good news for businesses,” Rhode Island Tax Administrator David M. Sullivan said. “Depending on the circumstances, a business can qualify for both a federal and a Rhode Island deduction. The deduction can help the business recover the cost of the asset,” Sullivan added.

Under federal and Rhode Island law, the Section 179 deduction limit for assets placed in service in 2014 is \$500,000. (It had been \$25,000). The overall limit on equipment purchases, before the Section 179 deduction begins to be reduced, is \$2 million. (It had been \$200,000.)

In general, the Section 179 deduction allows a business to fully charge off the cost of an asset immediately, in the year of acquisition, rather than having to claim the deduction in installments over a number of years, Sullivan said. “Thanks to the foresight of the General Assembly and Governor Chafee, businesses are getting some good news this holiday season,” Sullivan said.

In essence, Rhode Island law is now linked to federal law when it comes to the Section 179 deduction. “Therefore, when the Section 179 limitations increased for federal tax purposes, they automatically increased for Rhode Island tax purposes, too,” for assets placed in service in 2014, Sullivan said. A business considering claiming the deduction should check with a tax adviser to see if deduction requirements under the law are met. “If they meet the federal requirements, they’ll automatically qualify for Rhode Island tax purposes,” Sullivan said. Expensing of assets for Rhode Island tax purposes is allowed in the same manner as provided for under IRC § 179. (See [Rhode Island General Laws § 44-61-1.1](#).)

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