

Learn How Accelerated Depreciation Can Lead To Significant Tax Savings

Accelerated depreciation is a tax accounting method that allows businesses to deduct a larger portion of the cost of certain assets in the early years of ownership. This can lead to significant tax savings, especially for businesses that purchase a lot of equipment or other depreciable assets.



The Property Owner's Guide to Cost Segregation: Learn How Accelerated Depreciation Can Lead To Significant Tax Savings

★★★★★ 5 out of 5

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How does accelerated depreciation work?

Under the traditional depreciation method, businesses are allowed to deduct a fixed percentage of the cost of an asset each year over its useful life. For example, if a business purchases a piece of equipment that has a useful life of 5 years, they would be able to deduct 20% of the cost of the equipment each year for 5 years.

With accelerated depreciation, businesses are allowed to deduct a larger percentage of the cost of an asset in the early years of ownership. This is done by using a specific depreciation schedule that allows for a higher percentage of the cost to be deducted in the first few years.

What are the benefits of accelerated depreciation?

There are several benefits to using accelerated depreciation, including:

- **Increased tax savings:** Accelerated depreciation can lead to significant tax savings, especially in the early years of ownership.
- **Improved cash flow:** The increased tax savings can improve a business's cash flow, which can be used to invest in other areas of the business.
- **Reduced risk:** Accelerated depreciation can reduce a business's risk by allowing them to recover the cost of their assets more quickly.

What are the drawbacks of accelerated depreciation?

There are also some drawbacks to using accelerated depreciation, including:

- **Reduced salvage value:** Accelerated depreciation can reduce the salvage value of an asset, which can lead to lower proceeds when the asset is sold.
- **Increased taxable income:** In the later years of ownership, accelerated depreciation can lead to increased taxable income, which can result in higher taxes.

Is accelerated depreciation right for my business?

Whether or not accelerated depreciation is right for your business depends on a number of factors, including:

- The type of assets you purchase
- The useful life of your assets
- Your tax bracket
- Your business's cash flow

If you are considering using accelerated depreciation, it is important to speak with a tax advisor to determine if it is the right choice for your business.

Accelerated depreciation can be a valuable tax planning tool that can lead to significant tax savings. However, it is important to understand the benefits and drawbacks of accelerated depreciation before making a decision about whether or not to use it.



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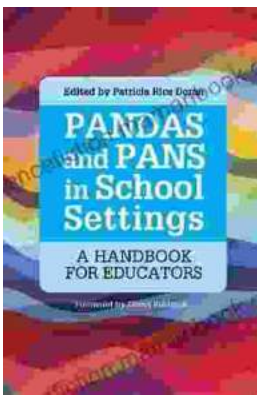
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