

## Regional Roundup

### Extending Increased Section 179 Expensing Limits Will Help Small Businesses Grow

Congress should extend the increased Section 179 expensing limits for small business, according to testimony by Rocky Mountain Regional Advocate Jim Henderson. Henderson testified before a Colorado field hearing of the U.S. House of Representatives Committee on Small Business, Subcommittee on Workforce, Empowerment, and Government Programs in August.

Section 179 of the Internal Revenue Code allows small businesses to deduct all or part of the cost of certain property and equipment in the year it is placed into service, rather than deducting its cost over several years. In 2003, President Bush signed a tax relief bill which increased the Section 179 limit to \$100,000. The tax

change has encouraged small businesses to invest in their businesses. The increased Section 179 limit is set to expire in 2008.

Testifying at the Fort Collins hearing, Henderson said that the increased Section 179 expensing limit is "having a significant positive impact on small businesses because it increases their cash flow and dramatically reduces the paperwork necessary to account for the capitalization of purchased business property."

Moreover, since the previous more restrictive limits will go back into effect in 2008, Advocacy "believes the expensing limits should be extended as called for in Chairwoman Musgrave's legislation H.R. 1678" and that "ultimately Advocacy hopes the limits will be

made permanent" as called for by President Bush.

Advocacy research shows that increasing marginal tax rates on business income reduces the chances that entrepreneurs will open new firms while it increases the likelihood that they will exit the market. Further, decreasing marginal tax rates across the board spurs entrepreneurship by increasing the rate of new firm formation and slowing the rate of firm closure.

"Expansion of the expensing provisions of Section 179 is important to small businesses right here in Colorado," Henderson said. He cited the experience of Mark Patterson, a tax accountant with the firm Stockman Kast Ryan and Company in Colorado Springs, who has many clients that have taken advantage of Section 179's increased expensing provision. Patterson advised a new medical clinic that started in 2003 to use Section 179. Henderson noted that starting a medical clinic requires a significant amount of upfront capital investment; by availing itself of the Section 179 expensing provisions, the clinic increased its working capital enough to hire two key employees. "The clinic's chance of being successful was increased because it was able to have the latest equipment and technology from day one," Henderson said.

Extending the increased expensing limits of Section 179 will establish lower tax liability for small firms and thus help increase firm formation, retention, and job growth.

For Henderson's complete testimony, visit [www.sba.gov/advo/laws/test05\\_0809.pdf](http://www.sba.gov/advo/laws/test05_0809.pdf).



Representative Marilyn Musgrave (R-Colorado) chaired the field hearing of the House Small Business Subcommittee on Workforce, Empowerment, and Government Programs, held in Fort Collins, Colorado, in August. She was joined by Colorado Representative Bob Beauprez (R-Colorado).