



**CORPORATE OFFICE
NORTHERN CALIFORNIA**

24400 Old 44 Drive
Millville, CA 96062-9745
(530) 547-XRAY (9729)
(800) 300-XRAY (9729)

website: www.wcxray.com

SOUTHERN CALIFORNIA
(661) 269-XRAY (9729)

SACRAMENTO / BAY AREA
(408) 295-XRAY (9729)

OREGON / PACIFIC NORTHWEST
(800) 300-XRAY (9729)

To qualify for the section 179 deduction, your property must be one of the following types of depreciable property.

- Tangible personal property.
- Other tangible property (except buildings and their structural components) used as:
 - An integral part of manufacturing, production, or extraction or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services,
 - A research facility used in connection with any of the activities in (a) above, or
 - A facility used in connection with any of the activities in (a) for the bulk storage of fungible commodities.
- Single purpose agricultural (livestock) or horticultural structures. See chapter 7 of Publication 225 for definitions and information regarding the use requirements that apply to these structures.
- Storage facilities (except buildings and their structural components) used in connection with distributing petroleum or any primary product of petroleum.
- Off-the-shelf computer software.

Tangible personal property. Tangible personal property is any tangible property that is not real property. It includes the following property.

- Machinery and equipment.
- Property contained in or attached to a building (other than structural components), such as refrigerators, grocery store counters, office equipment, printing presses, testing equipment, and signs.
- Gasoline storage tanks and pumps at retail service stations.
- Livestock, including horses, cattle, hogs, sheep, goats, and mink and other furbearing animals.

The treatment of property as tangible personal property for the section 179 deduction is not controlled by its treatment under local law. For example, property may not be tangible personal property for the deduction even if treated so under local law, and some property (such as fixtures) may be tangible personal property for the deduction even if treated as real property under local law.

Off-the-shelf computer software. Off-the-shelf computer software placed in service during the tax year is qualifying property for purposes of the section 179 deduction. This is computer software that is readily available for purchase by the general public, is subject to a nonexclusive license, and has not been substantially modified. It includes any program designed to cause a computer to perform a desired function. However, a database or similar item is not considered computer software unless it is in the public domain and is incidental to the operation of otherwise qualifying software.

Property Acquired for Business Use

To qualify for the section 179 deduction, your property must have been acquired for use in your trade or business. Property you acquire only for the production of income, such as investment property, rental property (if renting property is not your trade or business), and property that produces royalties, does not qualify.

Partial business use. When you use property for both business and non-business purposes, you can elect the section 179 deduction only if you use the property more than 50% for business in the year you place it in service. If you use the property more than 50% for business, multiply the cost of the property by the percentage of business use. Use the resulting business cost to figure your section 179 deduction.

Example.

May Oak bought and placed in service an item of section 179 property costing \$11,000. She used the property 80% for her business and 20% for personal purposes. The business part of the cost of the property is \$8,800 (80% × \$11,000).

Property Acquired by Purchase

To qualify for the section 179 deduction, your property must have been acquired by purchase. For example, property acquired by gift or inheritance does not qualify.

Property is not considered acquired by purchase in the following situations.

- It is acquired by one member of a controlled group from another member of the same group.
- Its basis is determined either—
 - In whole or in part by its adjusted basis in the hands of the person from whom it was acquired, or
 - Under the stepped-up basis rules for property acquired from a decedent.
- It is acquired from a related person.