

Tax Benefits When Buying Qualified Used Oilfield Equipment



WHAT IS SECTION 179?

The Section 179 tax benefit helps small to medium businesses save money on qualifying equipment purchases by allowing them to deduct the full equipment cost in the year of purchase. For 2024, companies can deduct up to \$1,220,000 in qualifying purchases, with a maximum spend of \$3,050,000. This tax incentive applies to new and used equipment purchased, or leased, and put into service by December 31, 2024.



What Type of Equipment Is Eligible Under Section 179?

To qualify for a Section 179 deduction, your equipment must be tangible property used more than 50% of the time for business purposes. You can only deduct the percentage equal to the percentage of business use. For example, if you purchase a Genset or Gas Compression Package for your business and use it 75% of the time, you can claim 75% of the unit’s cost.

However, if you will be using the equipment for business purposes less than 50% of the time, you don’t qualify for a Section 179 deduction.

Examples of eligible equipment include:

- Machinery and equipment Engines, Gensets, Power equipment, Compression Packages, Etc.
- Vehicles with a gross weight between 6,000 and 14,000 pounds

For more information about which equipment is eligible for Section 179, the IRS has much more detail in its [Instructions for Form 4562](#) — including tables outlining which vehicles qualify for a deduction.

Section 179 Brief for 2024

- **2024 Deduction Limit = \$1,220,000**
This deduction applies to the purchase of new and used equipment. To take the deduction for tax year 2024, the equipment must be financed or purchased and put into service between January 1, 2024, and the end of the day on December 31, 2024.
- **2024 Spending Cap on Equipment Purchases = \$3,050,000**
The spending cap for equipment determines the point at which the Section 179 Deduction starts to decrease on a dollar-for-dollar basis. This cap ensures that Section 179 remains a valuable tax incentive for small businesses, as larger businesses that spend over \$4,270,000 on equipment will not qualify for the deduction.

Section 179 Example

Equipment Purchases	\$1,300,000
First Year Write Off (Maximum for 2024)	\$1,220,000
60% Bonus (phased reduction via “tax Cuts and Jobs Act)	\$48,000
Normal First Year Depreciation (bonus depreciation is taken instead)	\$0
Total First Year Deduction	\$1,268,000
Tax Savings	\$443,800
Equipment Cost After Tax Savings (Assuming 35% tax bracket)	\$856,200