TAX INVESTMENT: Fiscally Fit in 2009

By Keith Drayer

The American Recovery and Reinvestment Act of 2009 was signed into law on Feb. 17 with some of the best benefits having limited remaining time eligibility.

Small business owners have limited time in 2009 to benefit from the most lucrative tax incentives for acquiring technology and/or equipment.

If your practice is ready to buy equipment or software, the tax incentives for doing so are better than ever. These benefits will expire, or be reduced, as of Jan. 1, 2010.

The American Recovery and Reinvestment Act accompanied by lower interest rates makes this a strategic time to invest in your practice to meet the demands of today's health care industry.

Because of these beneficial conditions, installing equipment and technology in 2009 can create a cash flow win-win for health care practitioners “in the know.”

Can you deduct $250,000?

For the 2009 tax year, many small businesses may potentially deduct up to $250,000 if the equipment or software is placed in service. This valuable break is the Section 179 depreciation deduction privilege, and it is an exception to the general rule that you must depreciate equipment and software costs over several years.

Section 179 is an annual “use it or lose it” accelerated deduction benefit that optimally lowers taxable income.

The bonus depreciation is allowable for regular and alternative minimum tax (AMT) purposes for the tax year in which the property is placed in service.

Property eligible for this treatment includes:
- Property with a recovery period of 20 years or less (almost all dental equipment).
- Standard software/practice-management software.

What type of financing is eligible?

Utilizing a finance agreement or capital lease to acquire technology or equipment will qualify for this benefit, while true leases or fair market value agreements will not.

Avoid last-minute decisions

Don’t wait too long to acquire technology or upgrade your office. Although it is true that you can have equipment placed in service after Dec. 31 to take advantage of the incentives, waiting much longer may mean that you will settle on your selections because of diminished year-end choices.

Now is the right time to meet with an equipment or technology specialist and discuss acquiring the optimal production-enhancing technology and equipment that will help your practice stay fiscally fit.

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Annual Internal Revenue Code Section 179 Example

<table>
<thead>
<tr>
<th>Calculations</th>
<th>Equipment not more than $800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Equipment price</td>
<td>$300,000</td>
</tr>
<tr>
<td>B. Section 179 deduction</td>
<td>$250,000</td>
</tr>
<tr>
<td>C. 50% bonus depreciation (A - .50)</td>
<td>$25,000</td>
</tr>
<tr>
<td>D. 2009 MACRS deduction</td>
<td>$5,000</td>
</tr>
<tr>
<td>E. Total first year tax deduction</td>
<td>$280,000</td>
</tr>
<tr>
<td>F. Combined federal and state tax bracket</td>
<td>58%</td>
</tr>
<tr>
<td>G. Total 2009 tax savings as a result of capital expenditure (E x F)</td>
<td>$106,400</td>
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Invest in your practice with HSFS

Henry Schein Financial Services (HSFS) business solutions portfolio offers a wide range of financing options that make it possible for you to invest in your practice for greater efficiency, increased productivity and enhanced patient services.

HSFS helps health care practitioners operate financially successful practices by offering complete leasing and financing programs. HSFS can help obtain financing for equipment and technology purchases, practice acquisitions and practice start-ups. HSFS also offers value-added services including credit card acceptance, demographic site analysis reports, patient collections, patient financing and the Henry Schein Credit Card with 2% cash back or 1 1/2 points per dollar spent.

For further information, please call (800) 855-9495 or send an e-mail to hsfs@henryschein.com.

About the author

Keith Drayer is vice president of Henry Schein Financial Services, which provides equipment, technology, practice start-up and acquisition financing services nationwide. Henry Schein Financial Services can be reached at (800) 855-9495 or hsfs@henryschein.com. Please consult your tax advisor regarding your individual circumstances.