Fiscally fit in 2009*

Tax breaks and limited-time laws make 2009 the right time to invest in your practice

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 make 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.

Who can take the deduction?

This deduction is available whether you are a sole proprietorship, partnership or corporation (S corporations are subject to different rules). If you plan to acquire equipment in the near future, purchasing it before year’s end is prudent.

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.

If you use a finance agreement to acquire your equipment and you have deferred payments, you may file your tax returns and achieve the benefits before you have made any payments.

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 by 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.

Don’t forget bonus depreciation

Your practice may generally claim first-year bonus depreciation deductions equal to 50 percent of the cost that is left over after subtracting allowable Section 179 deductions (if any).

If your business uses the calendar year for tax purposes, you only have until Dec. 31 to take advantage of the generous $250,000 allowance.

Don’t wait to see if 2010 will provide the same opportunity. Act now and take advantage of all the benefits available through this current legislative windfall.

Annual Internal Revenue Code Section 179 Example

Calculations

<table>
<thead>
<tr>
<th>Equipment price</th>
<th>$1,000,000</th>
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</thead>
<tbody>
<tr>
<td>Section 179 deduction</td>
<td>$250,000</td>
</tr>
<tr>
<td>50% bonus depreciation</td>
<td>$23,000</td>
</tr>
<tr>
<td>2009 MACRS deduction</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total first year tax deduction</td>
<td>$280,000</td>
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<tr>
<td>Federal and state tax bracket</td>
<td>38%</td>
</tr>
<tr>
<td>Total 2009 tax savings as a result of capital expenditure</td>
<td>$106,400</td>
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</tbody>
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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.

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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.

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Please consult your tax advisor regarding your individual circumstances.