



## 2009 Tax Year: Section 179 Deduction *Quick Reference* **Maximum \$250,000 Deduction**

### So you've heard of Tax Code 179 . . . but how does it benefit your company?

Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment purchased or financed during the tax year in which they put the purchased equipment in to use. This means when you buy (or lease) a piece of qualifying equipment, you can deduct the ENTIRE purchase price from your gross income.

- Please consult your CPA on how this deduction specifically applies and can benefit your practice.

### **Practices may immediately depreciate (expense) up to \$250,000 on their 2009 Tax Return for qualified purchases (EMR).**

- Most practices try to minimize their income tax liability. Tax Code 179 can help.
- Practices can expense the full cost (up to \$250,000) of their equipment and software when purchased by 12/31/09.
- If you buy (for example) \$75,000 worth of equipment and software, you can expense the full \$75,000 towards taxable income.
- If your taxable income was \$100,000 prior to using Tax Code 179, now with the \$75,000 expense, the taxable income is only \$25,000.

### **Tax Code 179 reduces the effective cost of your equipment or software solution**

- Your equipment/software proposal is \$75,000.
- The assumed practice's tax rate is 35%.
- \$75,000 in Tax Code 179 write offs equates to  $\$75,000 * 35\% = \$26,250$  in 2010 income tax savings.
- You just saved \$26,250 in actual income taxes by using Tax Code 179.
- Therefore, your \$75,000 purchase, just effectively became a net project cost of \$48,750
- ( $\$75,000 - \$26,250 = \$48,750$  or the same as a 35% savings).

### **Use It or Lose It**

- Tax Code 179 is available to practices every year; however it does not rollover to the next year.
- After 9/11/01, Congress temporarily increased the Tax Code 179 cap from \$25,000 with the hope of "jump starting" the economy. These amounts have continued to be inflated each year. An increase to \$250,000 in 2009 was reduced to \$134,000 for 2010.
- **Although not likely to go completely away in the coming years, the reduced deduction for 2010 points to a downward trend.**