

business | a tax break you can use

by Rob and Carol Trow

If you are planning on making improvements to your facilities or buying new equipment or furnishings, make them in 2008.

April 15th has come and gone. The much talked about tax stimulus checks are in the mail. It is natural for everyone to put aside tax issues and focus on how to cope with the impending recession, the uncharted waters of \$4, maybe even \$5, per gallon of gas and dramatic increases in utility and food costs. It will not be long until suppliers start passing their increased costs on to you. Your clients and patients may come to you less frequently, stretching out time between visits due to economic pressures. But, there is a way to save on your expenses during these trying times if you have plans to update your facilities and equipment to make your practice more attractive and competitive plus create additional sources of revenue.

Greater deductions

Now is the time to look into the Economic Stimulus Act to learn about a little known provision that can save you money. There are several aspects of this bill that offer you increased tax deductions on purchases you make before the end of the current tax year, 2008.

There are two tax provisions that may provide significant savings if you have plans to improve your space or purchase equipment. If either of these are the case, it is to your advantage to act before the end of the year.

In the past, if you made physical improvements to your business you were

able to depreciate them over 39 years regardless of any lease expiration date. This makes the annual tax savings very small. For 2008, you can deduct 50 percent of the cost of improvements immediately.

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The figures

To demonstrate the saving to you, let's assume you plan to spend \$50,000 on physical improvements excluding equipment and furnishing (this will be addressed later in the article).

Under the old rules, you could deduct 1/39 of the \$50,000 or \$ 1282.00 per year for 39 years. If you were in the 30 percent tax bracket, you would save \$384 a year. The Stimulus Act allows you to deduct \$25,000 of the \$50,000 you spend in 2008 plus the normal \$1,000 or \$7,750 in year one and the remaining \$25,000 over the next 38 years. This materially improves your cash flow and lessens the immediate impact of making improvements to your facility.

Equipment and furnishings

The other aspect of the Economic Stimulus Act focuses on higher deductible allowances for the purchase of equipment and furnishings. In the past, you



could deduct up to \$128,000 in the year you took delivery of the items instead of having to apply the normal 5 to 7 year depreciation schedule. The allowable amount that can be deducted in 2008 has been increased to \$250,000.

This article is not meant to be considered formal tax or legal advice. Check with your accountant to ensure applicable rules and regulations are followed plus verify the magnitude of savings available to you. ■

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