New equipment can boost your cash flow

Revised tax law puts profits in your pocket

BY SCOTT STEWART

You've recently run across the perfect table to enhance patient care. Best of all, it's reasonably priced. But, it's the end of the year, and you've already spent more than your budget for 2003. So you decide you'd better hold off making a purchase until 2004.

Wait! Buying now, before the end of the year, can put money back into your pocket when you claim the tax benefits. If you delay until after the beginning of the year, you must wait until the next tax season to claim any tax benefits.

It's especially beneficial to act now so you can take advantage of a recent revision in federal tax legislation to increase your tax deduction. Section 179 of the IRS Tax Code has always been a boon to business professionals. But due to recent tax law changes, this business perk has quadrupled from $25,000 to $100,000 for 2003. That means you can now write off up to $100,000 on your 2003 taxes for any equipment purchase — whether it's for clinical equipment, office equipment, computers or software — used for your practice.

BIGGER DEDUCTIONS MEAN SMALLER TAX CHECKS

Taking full advantage of tax strategies like the Section 179 deduction on equipment purchases can help you dramatically cut your tax bill. Here's how:

Let's say you buy a $35,000 piece of equipment during the fourth quarter. Recent tax code revisions allow you to expense the entire $35,000 from your practice revenue. The result is $10,500 trimmed off your taxes if you're in the 30 percent tax bracket ($35,000 x 30 percent = $10,500 tax savings.)

Pairing your tax savings with the fact that you'll incur just a few months' worth of payments for your equipment translates to a major cash flow boost for your practice. For example, if you bought a $35,000 piece of equipment in November with monthly payments of $729, you'll only make two payments in 2003 (totaling $1,458). However, you'll save $10,500 in taxes.

The bottom line? You've uncovered an extra $9,042 in cash flow for your practice, while obtaining the equipment you need. Here's how:

Equipment cost:........................$35,000
Section 179 deduction:.............$35,000
Tax savings (30 percent tax bracket):
....$10,500
Two monthly payments: $1,458
Additional Cash Flow:
$10,500 – $1,458 = $9,042

DON'T BE SWAYED BY SO-CALLED "SWEET DEALS"

When you're ready to make an equipment decision, you'll want to evaluate which make and model is best for your practice and make sure it will do exactly what you need. Do not let a financing deal determine the make or model you choose. Features, capabilities and benefits are what count — not the month-end financing special that moves excess inventory for the equipment supplier.

ACT NOW TO BOOST YOUR CASH FLOW

At the same time, try to avoid over-analyzing the decision or delaying until after the busy holiday season. If you do so, you may you lose out on the advantages of acting before year-end. Though you may be tempted to hold off on expenditures for any equipment until the following year — especially if you don't have an immediate need or if you've already exceeded your budget — the changes to Section 179 can make it a savvy business decision to act now. ◆

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