

Your Practice and the 2010 Jobs Act

The Small Business Jobs Act of 2010 was enacted in September 2010 in an attempt to help businesses, increase employment, and jump-start the economy. The Jobs Act contains a few tax benefits that may be helpful to your practice.

Enhanced Section 179 Expensing

One way your practice potentially can reduce its tax burden is to take advantage of the Section 179 expensing election. This election allows you to deduct the cost of equipment and certain other types of otherwise depreciable assets in the year they are purchased and placed in service -- rather than claiming depreciation deductions over a multi-year period. The Section 179 deduction can't exceed taxable business income.

The Jobs Act increases the maximum annual Section 179 expensing limit from \$250,000 to \$500,000 for tax years 2010 and 2011. The amount of the available expensing election is reduced dollar for dollar to the extent the cost of the qualifying assets your practice places in service during the taxable year exceeds \$2,000,000.

Real property generally does not qualify for Section 179 expensing. However, for tax years beginning in 2010 and 2011, Section 179 expensing may be available for up to \$250,000 of certain leasehold improvement property.

Example. In 2010, a medical practice placed in service \$100,000 of equipment eligible for Section 179 expensing and \$300,000 of qualified leasehold improvement property. Subject to the taxable income limitation, the practice may elect to expense \$350,000 (\$100,000 of equipment purchases and \$250,000 of leasehold improvement property) under Section 179.

Your practice also may elect to treat "off-the-shelf" computer software as Section 179 property for the 2010 and 2011 tax years.

"Bonus" First-year Depreciation Extended

The Jobs Act also makes a 50% bonus depreciation available for the 2010 tax year. This bonus depreciation deduction may be claimed in addition to a modified regular deduction for first-year depreciation or in conjunction with Section 179 expensing. Most new equipment, computer software, and certain leasehold improvements can qualify.

New Vehicle Depreciation Caps

The Jobs Act also increases the first-year maximum depreciation deduction allowed for new business vehicles placed in service during 2010. The depreciation cap rises from \$3,060 to \$11,060 for cars and from \$3,160 to \$11,160 for light trucks and vans.

Employer-provided Cell Phones

Under prior law, the costs of providing cell phones and other similar mobile communications devices to employees for employment-related business use were deductible only if detailed records regarding the use of the phones were kept. The Jobs Act simplifies the rules by allowing the deduction as long as the employer has records substantiating the applicable costs.

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