



## General Information Regarding Taxpayer Elections Under Internal Revenue Code Section 44 (Disabled Access Tax Credit) and Section 179 (Deduction For Certain Capital Expenditures)

This handout is solely for the purpose of supplying factual information that is generally available to the public. It is NOT to be construed in any way as tax or legal advice. You must consult with your own tax and/or legal advisor regarding potential applicability of these taxpayer elections to your particular facts and circumstances.

### Section 44 - Disabled Access Tax Credit

The Internal Revenue Code Section 44 - Disabled Access Credit ("Sec. 44 credit") may be available to a medical practice that purchases adjustable height medical table(s) for the intended purpose of complying with the Americans With Disabilities Act of 1990 ("ADA"). However, eligibility for this credit depends upon the particular facts and circumstances surrounding the purchase and whether it truly was for the purpose of complying with the ADA.

An eligible medical practice may elect to apply the credit against its income tax liability. Generally, to be eligible for the Sec. 44 credit, the medical practice must meet at least one of the following qualifications:

- 1) Annual gross receipts of the practice did not exceed \$1,000,000 during the preceding tax year;
- OR-
- 2) The practice had no more than 30 full-time employees during the preceding tax year.

The credit amount is 50% of the purchase price of the power table(s) that exceeds \$250 but does not exceed \$10,250. Since eligibility for the Sec. 44 credit is determined on an annual basis, the maximum credit allowable per tax year is \$5,000 (i.e., 50% x [\$10,250 - \$250]). In other words, any Sec. 44 credit-eligible purchases (for adjustable height medical tables or otherwise) that exceed \$10,250 during a tax year, will NOT generate Sec. 44 credit. Furthermore, amounts of such purchases cannot be carried back or forward to other tax years to create tax credits for those years.

#### Example:

A medical practice purchases a Midmark or Ritter medical table for \$3,780 and their tax and/or legal advisor agrees that the expenditure meets the eligibility requirements of Internal Revenue Code Section 44.

	<u>Without Credit</u>	<u>With Credit</u>
Tax Due:	\$20,000	\$20,000
Sec. 44 Tax Credit: 50% x \$3,780	-	-\$1,765
	\$20,000	\$18,235

### Section 179 - Deduction For Certain Capital Expenditures

Normally, the cost for an item such as an adjustable height medical table must be capitalized for tax purposes and depreciated over the useful life of the item. Per Internal Revenue Code Section 179 (Sec. 179) the medical practice may be able to currently deduct some or all of the cost of the medical table(s). Although the cost of adjustable height medical table(s) qualifies for the Sec. 179 deduction election, certain limitations under that Section can apply. Also, the Sec. 44 credit and Sec. 179 deduction cannot be applied to the same cost.

Continuing with the above example, the medical practice may be able to deduct up to \$2,015 (\$3,780 less the tax credit of \$1,765). Assuming that a medical practitioner is in the 28 percent marginal tax bracket and that he/she qualifies for both the Sec. 44 tax credit and the Sec. 179 deduction, the net out-of-pocket cost for the \$3,780 power table may only be \$1,451. \*

Cost of table(s)	\$3,780
Sec. 44 Disabled Access Tax Credit Election	-\$1,765
Tax Benefit of Sec. 179 Deduction Election (\$2,015 x 28%)	-\$564
<b>Net Cost After Tax Benefits</b>	<b>\$1,451</b>

\*This example is for illustration purposes only and is calculated using an "individual" tax rate (vs. corporate or other tax rate). It also assumes that the medical practice qualifies for both taxpayer elections pursuant to Internal Revenue Code Sections 44 and 179. In this case, other IRC provisions such as the Alternative Minimum Tax could also apply and thereby change the tax results. Therefore, it is imperative that you consult with your tax and/or legal advisor to determine whether your medical practice qualifies for either, or both, of these elections based upon your particular facts and circumstances.