



BUSINESS

## Technology costs may be tax-deductible

Technically Speaking. By [Pamela Lewis Dolan](#), AMNews staff. Posted Feb. 2, 2009.

You might have bought an iPhone or BlackBerry just to stay in touch with family and friends, but if it's become an integral part of your workday, you may be able to deduct its cost from your taxes as a business expense.

There are two types of expenses that come into play in this area. Basic business expenses, such as office supplies and phone service, can include cell-phone service or an Internet connection. There is no limit on the amount you can deduct.

Then there are expenses that fall under Section 179, the federal tax code that covers tangible property used for business, such as furniture and office equipment. These expenses, which are limited and are subject to depreciation, can include computers, cell phones and PDAs.

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Rick Rubin, an accountant with Habif, Arogeti & Wynne in Atlanta, said the Internal Revenue Services' golden rule is that a business expense should be an "ordinary and necessary" part of doing business.

While the argument could be made that an iPhone isn't ordinary or necessary, if you receive patient records from a referring physician on your iPhone, for example, you have a strong case for a deduction, experts say. The same could be true for laptops and Internet connections at home, Rubin said. A physician might have a laptop at home and use it to work on presentations, write speeches or conduct research. The cost of the laptop and the monthly bill could be deductible, he said.

**Physician practices can deduct from taxes up to \$250,000 in**

William F. Rucci, Jr., an accountant and business adviser with Malden, Mass.-based Rucci, Bardaro & Barrett, warns that things can get a little tricky when the devices are used part-time for business and part-time for personal use.

Technology purchases and the cost of service and maintenance are 100% deductible for business use, but the question is how to separate business use from personal use,

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## **business equipment expenses.**

he said.

For mobile devices, this is made easier with detailed billing. Simply circling business calls and separating them from personal ones on each monthly statement would satisfy the IRS in case of an audit. Such records should be kept for at

least three years.

Tom Durkee, a principal with the Orlando, Fla., accounting firm Averett Warmus Durkee, says physicians commonly ask about computer purchases as deductions under Section 179. "Our first question is, 'What are you using it for?'"

He said many times the truth is they buy it mostly for e-mails and for their children to use -- and only occasionally use it for research at home.

If you can make your best estimate as to what percentage of the use is devoted to business and have proof to substantiate it, you would claim only that percentage, Durkee said.

Rubin said the case for claiming 100% of an expense usually can be made easier when business use makes up more than 50% of the total use.

But if the practice buys the device and pays any monthly bill for its use, the cost won't be a deduction for the physicians. Instead, it would be added to the W-2 as a benefit with a taxable value. The practice could take the deduction.

The same record-keeping requirements apply, however. As the practice owner, the costs of buying cell phones or PDAs for employees can be deducted as a Section 179 expense the same way the purchase of more substantial systems such as electronic medical records could be deducted.

As a result of the economic stimulus package signed by President Bush on Feb. 13, 2008, changes to Section 179 allow practices to deduct purchases of up to \$250,000 for 2008 if the taxable income of the practice is at least as much as the deduction.

Separate rules also govern software and hardware. Depreciation of software must be taken over a 36-month period, while hardware depreciates over a five-year period.

Penny Sayre, tax manager for Stockman Kast Ryan & Co. in Colorado Springs, Colo., said Section 179 annual expense limits are for the total amount spent on furniture and equipment for the year. So if the purchase of EMR hardware and software or handheld mobile devices happened in the same year as a large purchase of other medical or office equipment, all of those purchases contribute to the maximum.

She also warned that the maximum is per tax ID number, not per physician, so no matter how many owners are under a single federal ID number, the total deduction allowed remains the same.

Sayre says it's unclear at this point what the situation may be for 2009 expense limits. As it

stands now, the maximum expense deduction allowed will be \$133,000, with no bonus depreciation. Many believe that President Obama's economic stimulus package will increase the maximum expense deduction at least to the 2008 levels.

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