

# Unique Savings & Space Flexibility Available for MOB's in 2004

by Sandy Bender

**T**ax incentives announced for 2004 under H.R. 179 and a new category of fixtures labeled "modular millwork" are helping medical facilities improve space flexibility with impressive bottom-line savings. This phenomenon is especially attractive in today's growing market trend that favors owner-occupied medical office buildings (MOBs).

HR 179 is a special, temporary tax incentive (set to expire 12-31-05) that allows a business owner to depreciate up to \$100,000 of newly acquired capital assets which classify as "personal property" in the acquisition year (i.e. - 2004). This incentive thus can lower 2004 taxes by your effective federal rate times the applicable HR 179 investment (e.g. at a 38% tax rate, 2004 taxes are reduced up to \$38,000, assuming actual tax liability of an equal or greater amount - note tax rates vary by corporations or individuals.

Consult your tax advisor for exact information for your situation).

Should we all go spend \$100,000 on applicable assets to avail ourselves of this incentive? Certainly not!

However, if you are building new space, remodeling or expanding existing office space, you may have an excellent opportunity to leverage the HR 179 incentive by not constructing traditional built-in millwork for your functional work areas (exam rooms, labs, admin areas, workrooms, nurse's stations, supply and samples rooms, etc.)

A new category of furnishings called "modular millwork" is a free-standing, flexible alternative to built-ins for these work areas common to medical facilities. Unlike traditional site constructed millwork, which is a real property asset, modular millwork is classified as personal property and thus qualifies for

the HR 179 tax incentive.

In addition to tax savings, the design flexibility of modular millwork affords several distinct benefits to the dynamic practice. Medical facilities have to change interior space and layouts more often than almost any other industry to accommodate changes in patient needs, regulatory requirements, medical technology and practice growth.

The modular system offers a complement of accessories that are easy to change when the functional needs of work space or equipment changes. For example, you can readily convert a seated work counter to a sink cabinet, locking storage cabinet or nurse's station using standard components...eliminating the time consuming, inconvenient and expensive process of tearing out and replacing built-in millwork to accommodate change.

Also, the entire system is portable so you can relocate and reconfigure it as often as necessary with a simple furniture dolly. Just roll and place it where you need it when change affects functions or space.

Perhaps best of all...if you relocate the practice, you take the modular millwork with you and place it in service as best suited to your situation in the new location...no need to leave the millwork behind (as normally required with built-ins, classified as "leasehold improvements" that revert to the landlord on vacancy). The portability feature means you do not have to repurchase new millwork again when relocating.

Durability, economy and quality are also noteworthy aspects of modular millwork. Factory production enables the savings of consistent production cycles, automation, effective quality control and scheduling, which are passed to the consumer in the form of more competitive prices and quality assurance (a Lifetime Warranty is standard!).

So, if you are constructing a facility, renovating space or relocating to a new location in 2004 HR 179 tax savings and the flexible advantages of modular millwork are a combination you may want to seriously consider to improve your bottom line and practice flexibility.

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