



Dental Discovery

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Digest

Six Best Tips for Year-Round Tax Planning Strategies from CPAs for Dental Practices

As a dental practice owner, it's important to stay up-to-date on best tax practices to ensure you're taking advantage of all available opportunities and benefits outlined in the U.S. tax code.

Each of the following tips can help you legally minimize taxes and fall within the letter of the law, statutes and IRS code.

1 Build a more profitable practice by planning ahead. Following your annual filing, it's imperative to look ahead to the upcoming tax year to identify both problems and solutions to your tax strategy. By examining areas of opportunity, you'll be able to develop and put in place a strategy to pay the least amount of taxes while also improving profitability.

2 Select the right business entity to minimize taxes. Contact your CPA to determine the payroll tax savings available from electing Subchapter S corporation status for your practice. Doctors are able to significantly reduce payroll taxes (including the 3.8% Medicare payroll tax on rents and personal investment income) by taking a lower salary, with the remaining profit distributed as a dividend (not subject to payroll taxes). S status can also reduce income and payroll taxes on their practice sale, and lower IRS audit risk and exposure.


3 Increase business deductions by having your practice reimburse you for all business expenses paid personally.

Business travel, meals and entertainment, business use of automobiles, dues and subscriptions,

advertising and promotion, continuing education, tax planning fees and health insurance premiums that are paid with personal funds should be reimbursed with business funds to ensure all business deductions are reported on tax returns.

4 Determine which retirement plan is best for your practice. When investing in a retirement plan for your business, it's important to consider your budget. Ask yourself questions such as how much you'd like to contribute annually, your total budget and how much of your total contribution is for you. For business owners looking for flexibility, profit sharing plans may be a top retirement plan option to consider.

5 Consider adding family members to your payroll. By hiring family members such as your spouse or children over the age of six, you can increase your tax savings while minimizing payroll taxes. For your spouse, a minimum salary of \$3,000 can qualify the spouse for minimum Social Security benefits, the Child Care Credit and fully deductible practice travel and fringe benefits. Additionally, by employing your children, you can take advantage of IRS-sanctioned tax savings while also helping the child earn money for college or other expenses.

6 Evaluate your charitable contributions. Businesses can increase charitable contribution deductions through the donation of property such as stocks, bonds, artwork or real estate in place of financial donations. The full market value of the gift is tax deductible as a charitable contribution if held for at least 12 months and the gain is not subject to income tax. 



TAX ADVANTAGES OF UPGRADING YOUR DENTAL EQUIPMENT

Investing in new equipment for your practice can not only help grow your business and improve your patient's dental experience, but it can also provide added tax advantages when it comes time to file your annual tax return.

Making the decision to purchase new technology and equipment for your practice may not come easy, but under the Section 179 Tax Deduction, it may be more lucrative.

The Section 179 Tax Deduction allows a business to deduct the full purchase price of financed or leased equipment and off-the-shelf software. The equipment or software must be within the specified dollar limits, which has a maximum spend of \$2,000,000, to qualify. Additionally the new goods must be placed into service in the same tax year that the deduction is being taken.

Stipulations under the Section 179 Tax Deduction include a maximum deduction of \$500,000 with a maximum spend on eligible equipment and software limited to \$2,000,000 to qualify for the full deduction. The new equipment must be purchased for at least 50 percent business use. Finally, you must elect to take the deduction when filing your taxes.

Before taking advantage of the Section 179 Tax Deduction, it's vital to take a look at your dental practice's economic position prior to the purchase of new equipment and technology. If you're ready to upgrade your practice, the tax benefits under this deduction can make the additional savings beneficial to your bottom line come tax season. 🦷



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Jared Frost, Jarin Dana and Todd Newman founded the firm in 2011. Its CPAs specialize in working with practices, individuals and locum tenens in highly specialized medical industries, including healthcare and dental. Frost Dana Newman helps clients nationwide with comprehensive business planning and tax preparation services, all with an eye toward minimizing tax liability and maximizing the value of their practices.

Services offered by Frost Dana Newman include the following and more:

- ▶ Annual worker's comp audit support
- ▶ Quarterly and annual practice tax returns prepared and filed
- ▶ Quarterly tax estimates
- ▶ Monthly financial reports
- ▶ Full payroll processing services
- ▶ Prepare journal entries
- ▶ Equipment/asset evaluation and depreciation

Frost Dana Newman operates offices in Salt Lake City, Utah, and Las Vegas, Nevada.

Contact us to learn how our unique CPA approach can help you grow your practice.