



Solution to Decreasing Taxes this Year

Don't Delay....

December is the month that we need to run our profit and loss statements and evaluate the projected income on which we will be paying taxes. The year CANNOT end without meeting and planning with your accountant and your financial advisor. In fact, the meeting should take place mid-year (June, July) and year-end. Before you prepare to pay up, there are several tax laws that allow you to decrease your taxes if you invest in our country's economy by spending some money. We all have our wish list of technologies that we have been eyeing at dental shows or that our colleagues brag they use. Maybe you want to improve your facility like a buildout, repairs, or updates. In addition, there are things you can do with your investments that will also reduce your taxes or prevent you from paying more than you need to.

Tax Advantages...

We ALL want to pay less in taxes! What can we do? Below are laws that we can take advantage of to decrease our taxes, if we spend some money. And you do not need to fund it in cash. However, the equipment must be in service by December 31 to get the tax advantages. We hear from our colleagues about creative strategies for reducing taxes. Well, this comes from working with knowledgeable professionals that understand the dental business. If these ideas came a little late this year, you can definitely plan for it in 2017!

Finance it...

You can go ahead and pay Uncle Sam or just finally get the equipment that you have always wanted or put in place investments strategies that create you wealth while you save on taxes. You can finance the amount and pay as you go but reap the benefits of tax deductions. Sometimes it may be hard to get quick hassle-free loans from major banks, so you should look at [Bankers Healthcare Group \(BHG\)](#), which can finance you in as few as three days ([application link](#)) so you can get your tax savings in place for this year. BHG focuses on providing loans for dentists and other licensed healthcare professionals without the hassles and red tape of a bank.

Get your info from experts...

Talk to your equipment rep for ideas in boosting production with the new equipment you purchase. A good rule of thumb is to buy/invest when the product will increase your revenue or decrease your expenses. This also applies towards other capital investments discussed later in this article.

SECTION 199 EXPENSING ELECTION Taxpayers (other than estates, trusts, and certain non-corporate lessors) may elect an expense deduction for the cost of qualifying section 179 property, such as dental equipment, office furniture and computers, placed in service during the tax year rather than treating the cost as a capital expenditure. The election is made on Form 4562. This deduction is limited to taxable income. The maximum Code Section 179 deduction is \$500,000 for tax years beginning in 2010 through 2015. For tax years beginning in 2016 and thereafter, the \$500,000 limit is adjusted for inflation (\$500,000 for 2016). Dr. Dorothy Kassab is the President and Founder of DCC, and has been in dental practice since 2000. She graduated from Buffalo Dental School and is an owner of two successful dental practices in Syracuse NY and a partner in a dental practice in Chicago, IL. Over the years, she has helped local friends and colleagues with practice management and billing problems. In 2015, she was recruited to work on a national level, which was the birth of a dental billing business with remote capability.

BONUS DEPRECIATION Under the Modified Accelerated Cost Recovery System (MACRS), a bonus depreciation deduction is allowed for qualifying property placed in service before January 1, 2020. The original use of the qualifying property must begin with the taxpayer. The bonus depreciation rate is generally 50%. **DOMESTIC PRODUCTION ACTIVITIES DEDUCTION** The domestic production activities deduction (DPAD) allows qualified taxpayers to claim a deduction equal to nine percent of the lesser of taxable income (or adjusted gross income for individual taxpayers) or qualified production activities income, such as crowns with CAD-CAM, implants, and reshaping of teeth. For purposes of the deduction, only items that are attributable to the actual conduct of a trade or business are taken into account. The DPAD is claimed on Form 8903 Domestic Production Activities Deduction. The DPAD is equal to a percentage of the lesser of (i) the taxpayer's taxable income (or an individual taxpayer's adjusted gross income), or (ii) the taxpayer's qualified production activities income (QPAI). The deduction cannot exceed one-half of the W-2 wages paid by the taxpayer during the year.

AMERICANS WITH DISABILITIES ACT Internal Revenue Code §44 grants a tax credit to small businesses for expenditures incurred for compliance with the Americans With Disabilities Act of 1990. The Code allows eligible small businesses to claim a nonrefundable income tax credit equivalent to 50 percent of the amount of eligible access expenditures for any tax year that exceed \$250 but do not exceed \$10,250. The maximum credit available for a taxable year is \$5,000. Form 8826 is used to figure the credit and the tax liability limit. A business is an eligible small business if, for the preceding taxable year, either (i) its gross receipts did not exceed \$1,000,000 or (ii) the number of its full time employees did not exceed 30.

Caution: Hearing-Impaired In the latest case, the taxpayer (a dentist) bought a video system that provides magnified images of the patient's mouth and offers the dentist a visual aid for explaining problems and treatments. The patient could also review educational information included with the system. Before purchasing the system, the taxpayer communicated with his hearing-impaired patients through handwritten notes and educational videotapes. Although he used the new video equipment with all of his patients, the purchase had an added benefit with respect to the hearing impaired because it eliminated the time taken up by note-writing and eliminated the need to sterilize pencils and notepads. In this case, the court held that the taxpayer's purpose in purchasing the equipment was not to bring his business into compliance with the ADA since it had been in compliance before making the acquisition. Nor was the equipment used to replace the system of communication that was used to bring the taxpayer into compliance with the ADA. The educational video equipment was not a substitute for handwritten notes

the taxpayer used to communicate with his hearing-impaired patients. Consult with your tax advisor regarding qualifying equipment purchases. Robert Ford, CPA, has worked with many dental professionals and me for many years. He is well versed in dental office accounting.

If you need assistance please do not hesitate to reach out to him:

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YOUR INVESTMENTS and TAXES

Your investments also have tax implications. You do not want it to be a surprise at the end of the year that your investment gains now will cost you thousands in taxes. I asked my financial advisor to comment on investment strategies as they relate to taxes.

INVESTMENTS STRATEGY

It is important to do year-end tax planning to help reduce taxable gains.

1. **Review your portfolio** with your financial advisor/tax professional to determine positions that may be sold to offset realized gains for the year. This is called tax loss harvesting. By realizing a loss, investors are able to offset taxes on both gains and income. The security that is sold is replaced by a similar one maintaining the optimal asset allocation.

2. **Maximize your retirement plan** contributions. By investing today you save on taxes. The income when drawn in retirement will be taxable then. Your financial life encompasses more than your assets. It includes your goals for the future and how you want to live right now. When it comes to retirement, the decisions you make today can have a huge impact on what retirement will be like. “Your financial life encompasses more than your assets. It includes your goals for the future and how you want to live right now. When it comes to retirement, the decisions you make today can have a huge impact on what retirement will be like.”

3. **Planning for Retirement** has proven benefits for the dental professionals

Seven suggestions to help dentists plan for retirement:

1. **Decide what’s important** A good first step is to come to an agreement about your goals in retirement. Ask yourselves, what do you want your wealth to accomplish? What do you dream about doing one day? And here’s one question that many often forget to consider: What’s happening now that can impact your financial future? For example, are you helping support adult children or your parents? You can think through these important questions together and create a plan to pursue your goals once both of you agree on them.

2. **Find a risk tolerance** you can embrace Work to find an appropriate risk tolerance balance.

3. **Don’t forget long-term care planning** Life expectancy continues to grow, and many of us are spending more years in retirement. This makes issues like healthcare and eldercare more important than ever. Start having conversations now about developing a long-term care plan for yourself and your partner. For example, do you envision staying in your home as long as you can? How heavily will you rely on family to provide your care? How do you intend to fund future health and long-term care costs?

4. **Coordinate your strategy** for Social Security Even if you’re not counting on Social Security as a major source of income in retirement, it’s important to know that there are various options to consider. Making informed decisions before you start taking Social Security can lead to significantly higher benefits over the course of your retirement. Discuss the best option to maximize your Social Security benefits with a financial advisor.

5. **Keep yourself informed.** It’s good to know the following:

- Your net worth

- Your assets, liabilities, insurance, property and financial accounts
- Where each of these items is held
- How to access your money once you retire

6. **Get involved and stay involved.** Make it a point to review investment statements. Check in to see if it's time to adjust your strategy, and make sure you are having conversations with your financial advisor, as well as your lawyers and accountants. You should talk on a regular basis to make sure you have the information you need, your goals are aligned and you're pulling in the same direction.

7. **Children's Education Fund.** In addition to planning for retirement, it is also important to plan ahead for higher education. With the cost of higher education skyrocketing, you need a plan to help your children or grandchildren get the education they need to help put aside for a child's higher education expenses on a tax advantage basis. Talk with your financial advisor to learn the benefits and considerations of starting a 529 plan.

Mr. Mark Worden, from UBS investments, has been working for years with many dental professionals, as well as, other healthcare professionals. He is well versed in investment strategies and the implications of investments on taxes. If you need assistance in year-end planning, a review of your current investments and strategies, creating a life plan, a review your insurances, please do not hesitate to reach him directly.

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We hope that you had a great prosperous 2016 year. Don't forget to run your accounts receivable over 30 days aging reports (unresolved claims aging report and unpaid patient balances report). Be involved with the financial aspect of your practice. Many offices struggle with cash flow due to money being tied up in accounts receivable. As a result, the practice can be pushed behind in bills which can negatively impact the long term health and wealth of the practice. If you feel that your internal systems need improvement and need assistance, do not hesitate to reach out to us www.dentalclaimscleanup.com or call [\(315\) 813-1973](tel:3158131973).

In Better Dental Health Always....

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