



Key Practice Management and Accounting Updates

UPCOMING DEADLINES

October 31, 2019 –
Personal Property and Real
Estate Taxes are due

October 31, 2019 –
Unclaimed Property
Reporting deadline – for
more information visit
<http://ucp.dor.wa.gov/holdercontent.aspx>

December 1, 2019 –
Distribute a notice of
eligibility to all eligible
employees (for 401k Plans)

STUDY CLUBS

If you would be interested in having us speak at one of your upcoming Study Club events, we would be happy to do so. Contact our office for more details: mail@cpa4dds.com

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Kirkland, WA 98033
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RETIREMENT PLAN LIMITS

Type	Max Deferral	IF 50+
SIMPLE	\$13,000	\$16,000
401k	\$19,000	\$25,000
IRA	\$6,000	\$7,000

The 2019 maximum total contributions to a defined contribution plan (401k/Profit Sharing, SEP) is \$56,000 or \$62,000 with an over 50 catch-up contribution.

We encourage our clients to review their retirement plan every few years to be sure they are utilizing the most advantageous plan available.

YEAR END ITEMS TO BE ON THE LOOK OUT FOR

Reporting of Self-Employed Health Insurance Premiums for S corporation Shareholders - the total premiums paid must be reported as wages on Form W-2. We will be in touch early December to be sure you have reported for 2019.

2020 Salary Schedules for S Corporations or Family Members on Payroll – New Salary schedules will be sent to you in mid-December if we recommend salary and withholding levels. Be sure to watch for this important document and have it established with your payroll company for the first payroll run in 2020. (We do not automatically enter this data to your payroll provider so you or your bookkeeper will need to do so).

QUICKBOOKS UPDATE

QuickBooks 2020 is now available for purchase. If you currently use QuickBooks 2018 or older, you should upgrade your QuickBooks before the end of the year. Before purchasing the desktop version of QuickBooks, we encourage you to talk with us about switching to QuickBooks Online (QBO). QBO gives us access to your file from any internet connection; eliminates having to send us accountant's copies of your file and future upgrades, plus it is easier to integrate with your bank for importing bank data (i.e. less data entry!).

HAVE YOU LOOKED AT YOUR LEASE LATELY?

If you haven't looked at your lease in a few years, it is worth refreshing your memory with its many terms:

- What is the remaining time on your lease? Give some thoughts to your plans down the road.
- Be very aware of your notice period for renewing your lease. There is often a specific date by which you must provide your intent to extend/renew the lease.
- Check your annual rent increase and CAM (Common Area Maintenance) charges each year for compliance with the terms of the lease.

Maintaining an adequate lease term is key to preserve the sale value of your practice. Practice lenders will generally require a purchaser to acquire a lease term at least equal in length to the term of the loan. Without a minimum term of five-seven or more years (including renewals) your practice value could suffer significantly.

DO YOU OWN A RENTAL BUILDING?

If you own a rental building and desire to qualify for the new Qualified Business Income Tax Deduction, consider the following:

- If you rent office space to your dental practice, that portion of rental income is subject to the specified service trade or business limitations the same as your dental practice and may or may not be phased-out depending upon your overall taxable income.
- Leases under a triple-net agreement (tenant is responsible for all taxes, insurance, maintenance, and utilities) are also generally not eligible for the deduction with certain exceptions.

A rental activity can be considered either a trade or business (potentially eligible for the deduction) or an investment (not eligible for the deduction). Generally, the more work you and/or others perform related to the activity, the more likely it will be considered a business. However, the IRS recently issued guidelines for a safe harbor ruling whereby the activity will be considered a business so long as certain facts are present:

- Separate books and records must be kept for the rental activity.
- You, an employee, agent, or independent contractor must perform at least 250 hours per year of "rental services," which can include, among other things:
 - Advertising for rent or lease
 - Negotiating and executing leases
 - Verifying tenant applications
 - Maintenance or repairs
 - Purchase of materials
- Sufficient contemporaneous records must be kept to document the hours of service performed. Rental services do not include:
 - Financial or investment management services
 - Studying or reviewing financial statements
 - Planning, managing, or constructing long-term capital improvements
 - Time spent traveling to and from the property

If your rental activity operates at a loss, it could reduce your qualified business income deduction; in that case it may actually be disadvantageous to meet the above requirements and instead have the activity be considered an investment. Other factors in your tax return may require a more complex analysis.