



Key Practice Management and Accounting Updates

UPCOMING DEADLINES

January 31, 2017 –

Deadline for all 1099 filing including e-filed forms

March 15, 2017 –

Deadline for filing Corporate and Partnership Tax Returns or extensions

EVENTS

February 3, 2017 –

Mid-Career to Life After Dentistry, 8:00 AM – 2:00 PM, Bellevue Club

This workshop is appropriate for those contemplating retirement in the next 15 years to 15 minutes. Topics include:

- How to set up the game board for a successful transition
- Incorporating proactive tax planning before, during and after transition
- Determining retirement income needs and accumulation
- Comprehensive financial planning including transition and beyond

Reserve Now: Contact Jennifer Paine at 425.216.1612 or Jennifer@cpa4dds.com

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2016 ORGANIZER PACKAGES, TAX PREPARATION and COMPLETED TAX RETURN DELIVERY

Individual Tax Organizer packages were mailed the week of January 16th. If you have not received yours yet, please call us! In addition, a fillable version has been generated and placed in a secure web portal for your convenience. This version may be filled out and electronically transmitted to us with your source documents via the portal.

Given the high need for secure document delivery systems, we will be utilizing the secure portal system for the delivery of your completed tax return this year. You will be receiving an email in the coming weeks with instructions for registering your portal. We suggest that you set it up as soon as you get the email so that it is ready when we send your completed return. Our company website also has instructions for the use of portals in the client resources area, but please do not hesitate to call us for more information or assistance using the portal system. Website: www.dentalgrouppllc.com

We request that all individual tax information regardless of delivery format be received in our office no later than February 24. If you have ownership in pass-through entities that issue Forms K-1, please do not wait for these before sending us your tax documents as they can be quite late. Submit everything you have by February 24 and we can add K-1 activity or other items when received.

FORMS 1099 – MISC (Those you receive)

All Dental Practices will receive Forms 1099 from third party payers (insurance companies). In most cases, you need only collect these and keep them in a safe place. However, there are instances where the payer may withhold federal income tax from the payments they make to you and that withheld tax will be reported on Form 1099-MISC. You may want to peruse your 1099s to be sure tax is not reported and to make sure that there are no interest or dividend 1099s mixed in with your healthcare services 1099s. Interest and dividends will need to be reported on your applicable tax return. If you find any 1099s with withholding and/or any types of 1099s other than healthcare services, please be sure to forward these to us so that we can report it on your tax return.

If you receive a notice from an insurance company indicating that your legal name and tax identification number do not agree, be sure to act on it immediately to avoid back up withholding! Call us if you need any help.

FUNDING DEADLINE for IRAs and RETIREMENT PLANS

The funding deadline for 2016 IRAs (Roth and Traditional) is April 18, 2017. There is no extension available. Retirement accounts (SIMPLEs, SARSEPs, SEPs and 401(k) Profit Sharing Plans) must be fully funded by the due date of the tax return. If the practice is a Corporation or Partnership, the due date is March 15th. If a Sole Proprietor, the date is April 18th. These deadlines may be extended by filing an extension for the tax return. If you need additional time to fund, be sure to talk with your Client Advisor or Account Manager sooner versus later!

401(k) Limits

Year	Max Deferral	IF 50+
2016	\$18,000	\$24,000
2017	\$18,000	\$24,000

SIMPLE IRA Limits

Year	Max Deferral	IF 50+
2016	\$12,500	\$15,500
2017	\$12,500	\$15,500

IRA Limits

Year	Max Contribution	IF 50+
2016	\$5,500	\$6,500
2017	\$5,500	\$6,500

REIMBURSEMENT PLANS ARE BACK FOR SMALL EMPLOYERS

Many dentists have had reimbursement plans for healthcare costs in the past – in particular for insurance coverage paid for individually or through a spouse. With documentation, these costs were deductible by the employer and free of payroll taxes to the employee.

Under the Affordable Care Act (ACA), such reimbursements became unlawful and subject to a \$100 penalty per employee per day – or \$36,500 per year per employee as of June 30, 2015. With new legislation enacted last month, small employers can adopt in 2017 a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA). For employers with fewer than 50 employees the Plan can reimburse employees for individually purchased health insurance and other deductible medical costs up to \$4,950 for an individual and \$10,000 for a family.

To implement the Plan you must notify participants 90 days prior to the current year – or for 2017 by March 12, 2017. The notice requires specifics – including the amount of the benefit that the participant must report to their insurance exchange, if applicable, along with additional information. The Plan and Notice must be a written document(s).

To our knowledge the Internal Revenue Service has not provided to date documents or sample documents for small business use. However, we do find that an Internet search provides a lot of information. You might also check with your payroll provider to see if they might have access to sample documents you may be able to use.

If health insurance is the subject of the reimbursement, it must be coverage that qualifies under the ACA. If the coverage does not qualify or is dropped, the reimbursement becomes part of the taxable W-2 subject to employee and employer payroll taxes. This places an onus on the employer to gather proof of qualified insurance for the entire year. This responsibility alone may help you decide not to use a QSEHRA.

DOMESTIC PRODUCTION ACTIVITY DEDUCTION – DPAD/SECTION 199

Do you “manufacture” in your Practice? You may be entitled to an “extra” deduction!

Congress has provided an incentive deduction for domestic production activities. In general, the deduction is 9% of the lesser of qualified production activities income for the year or overall taxable income.

The following activities qualify or likely qualify as domestic production activities within a dental office:

1. Manufacturing of crowns, onlays and inlays, especially CAD CAM (CEREC, E4D, etc.)
2. Manufacturing of in-house retainers (night guards, other appliances)
3. Orthodontic Bonding (assembling and bonding bracket components)
4. Other manufacturing or assembly activities

From the list above it is clear that most, if not all orthodontists, as well as those using CEREC or E4D will have significant domestic production activity revenue – the first step in the deduction process. On the other hand, we believe that the majority of general practices and non-orthodontic specialty practices will not have sufficient revenue from domestic production activity to develop a tax deduction significant enough to warrant the time and cost of recordkeeping and tax preparation. Here are some general guidelines:

Section 199 Deduction Rules of Thumb Minimum Revenue	Sole Proprietors and Certain Partnerships	S Corporations and Certain Partnerships	C Corporations
	\$25,000	\$40,000	Most likely N/A

If revenues do not equal or exceed the guidelines above it is highly likely that the deduction is more trouble than it is worth. The cost to generate and maintain records and the additional tax preparation cost would likely outweigh the tax savings.

For those with substantial domestic production activity revenue – especially orthodontists and those using CEREC or E4D you should reach out to your DG Account Manager to discuss the best way to compute and record the required information.

PAYROLL TAX RATE NOTICES

State Unemployment and L&I Rate notices have been mailed by the State. Please be sure to forward these to your payroll company as soon as possible.

SALARY SCHEDULES FOR OFFICERS

Salary schedules for corporate officers have been mailed out for the year 2017. Please be sure you have changed your salary and withholding per this schedule with your payroll company. If uncertain, please contact us as soon as possible.