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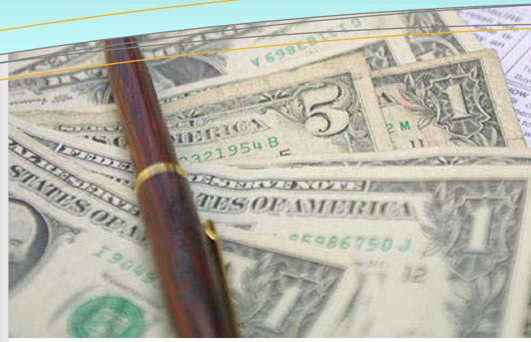
The Successful Dentist™

Dental Tax and Finance



Helping Dentists Make Smart Decisions about Money

Deadlines & Misc.

4th Quarter Estimated Tax payments (for those who make quarterly estimates) are **due Tuesday, January, 17** (See Last Page). Continued on Page 2

Planning to Retire (Someday)?

Join us at the Bellevue Club on Friday, February 3, from 8:00 -2:00 for **Mid-Career to Life After Dentistry.** 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 425.216.1613 or Jennifer@cpa4dds.com

Do You Manufacture in Your Practice? If you are an orthodontist or a general dentist using CEREC or E4D you may qualify for the Domestic Production Activity Deduction. See more details attached to this newsletter to determine if you might qualify!

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UNCERTAINTY: 2017 TAX CHANGES?

It is highly likely that we will have a change in tax policy in 2017 and such change could take effect retroactively or be phased-in over some time period based on prior tax policy overhauls. Nothing is a given here – legislation is always a complex process and tax legislation is no exception.

What do we expect? The House Republicans Tax Reform Task Force document has much in common with President-elect Trump's proposals made on the campaign trail. Here are a few bullet points:

- Reduce current 7 tax brackets to just three and reduce the rates to 33%, 25% and 12% respectively
- Elimination of the "Marriage Tax Penalty" which impacts two-earner married couples
- Eliminate personal exemptions but expand the child tax credit
- Eliminate most itemized deductions, but maintain the deductions for mortgage interest and charitable donations
- Eliminate the Federal Estate Tax

We will continue to monitor the various proposals and keep you posted accordingly. *DG*

Reimbursement Plans are Back for Small Employers

We told you you had to stop, now you have the chance to start again.

Many dentists had reimbursement plans for healthcare costs – 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 the benefit to their insurance exchange, if applicable, along with additional information. The Plan and Notice must be a written document(s).

Continued

Reimbursement Plans Continued From Page 1

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. *DG*

2017 Highlights for Dentists

Section 179 - Expensing Election: This election has been restored and made permanent at the $500,000 level and will be indexed for inflation. Further, the phase-out level has also been restored to $2,000,000 of qualified purchases in a given year (fully phased out at $2,500,000).

Bonus Depreciation Restored: An alternative to Section 179, especially when you don't necessarily want to write everything off in one-year, bonus depreciation has been extended from 2015 through 2017 at the 50% level; 40% in 2018 and 30% in 2019. One nice feature of Bonus Depreciation is that is eliminates Alternative Minimum Tax depreciation inclusion on not just the portion you expense but on the entire cost of the equipment or assets that you purchase.

Qualified Leasehold Improvements: This allows qualified leasehold improvements to be depreciated over a 15 year period instead of the default 39 year method. This has also been restored retroactively and made permanent. To qualify, generally, the tenant and the building owner must not be 80% or more related and the building must have been placed in service at least three years prior to the date of the improvements.

State and Local Sales Tax Deduction: This deduction which had expired, has been reinstated and made permanent. *DG*

January Due Dates and 2017 Updates

1099 Forms: Forms 1099-misc that contain non-employee compensation in Box 7 are due (in the mail or e-filed) to the recipient AND the IRS by January 31, 2017. For other types of 1099 filings the recipient copy is due by January 31 and to the IRS by February 28, 2017 on paper or March 31 if you e-file.

IRA Contributions stay the same as 2016 at $5,500 and "catch-up" for those age 50 or better remains $1,000 ($6,500 total).
The SIMPLE IRA deferral maximum stays the same at $12,500 for 2017 and the "catch-up" for those age 50 stays at $3,000 ($15,500 total).

401k maximum deferrals remain the same as 2016 at $18,000 for 2016 and "catch-up" contributions remain $6,000 (total of $24,000).

Defined contribution limits (think 401k plus maximum profit sharing contribution) increases to $54,000 for 2017 (up from $53,000 for 2016). Combined with 401k and a catch-up contribution, the combined maximum for those 50 or better in 2016 is $59,000 and $60,000 for 2017. *DG*