

A Small Bite of Financial Awareness

May 19, 2021



Giveaway

See Link in Chat Window

<https://app.osortoo.com/DPzExCAb>



Who is Thomas Doll?

Accountants and Financial Advisors
for Dentists

1,000+
DOCTORS

\$1.5
BILLION

ADCPA[®]
ACADEMY OF DENTAL CPAs
Setting the Standard Since 2001

Topics

For Early-Stage
Pediatric Dentists

Associates + Taxes

What can associates do to save on taxes?

Forming a Corporation

When is the right time to form a corporation?

Buying a Practice

What numbers should you focus on when buying a practice?

Practice Owner + Taxes

What tax strategies can you utilize as a new practice owner?

Financial Advice

What can you do today to build long-term financial success?

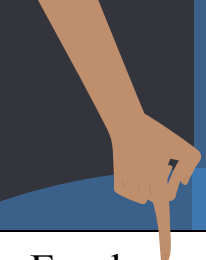


Tax Tips for Associate Dentists

	W-2 Employee	1099 Contractor
Employment Taxes	Roughly 7.5%	Roughly 15%
Tax Code	No "Creativity"	More "Creativity"
TAX DEDUCTIONS		
IRA Contributions (with limits)	x	x
HSA Contributions	x	x
Mortgage Interest	x	x
Charitable Contributions	x	x
Retirement Contributions (Solo 401k, SEP IRA)		x
Dental School Kit		x
Residency Student Loan Interest (Maybe)		x
Malpractice Insurance		x
Continuing Education		x
Home Office, Vehicle, Meals, Travel, etc...		x

Coordinate with Employer to Deduct Expenses

If you are a W-2 Employee, try to have your employer pay for your expenses, and then deduct your salary by the amount of the expenses.



	Employer and Employee Cooperation	No Cooperation
Income	\$250,000.00	\$250,000.00
CE Course	(\$10,000.00)	\$0.00
W2 Income	\$240,000.00	\$250,000.00
Payroll Taxes	\$12,377.00	\$12,612.00
Income Taxes	\$39,807.00	\$42,207.00
Take Home Pay		
W2 Income	\$240,000.00	\$250,000.00
CE Course	\$0.00	(\$10,000.00)
Taxes	(\$52,184.00)	(\$54,819.00)
Net Take Home Pay	\$187,816.00	\$185,181.00

Forming a Corporation

	S-Corporation	Sole Proprietor
Legal Implications	Personal Liability Protection for: 1. Sexual Harassment 2. Slip and Fall NO Malpractice Protection	No Personal Liability Protection
Tax Implications	1. Save on Self-Employment Taxes 2. Comes with Additional Costs	1. No Savings on Self-Employment Taxes 2. No Additional/ Administrative Costs

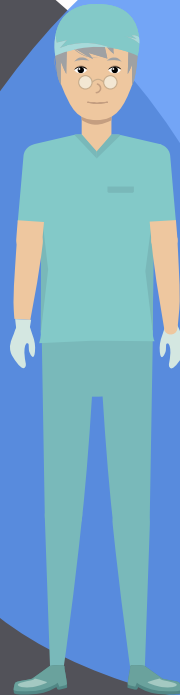
EXAMPLE A

Income of \$200,000

S-Corp PENALTY of \$2,373

S-Corp
\$44,091
Total Cost

Payroll Taxes: \$19,125
Federal Income Tax: \$21,316
Tax Prep Fees: \$2,050
Annual FTB Fee: \$800
Payroll Processing Fee: \$800



Sole Prop
\$41,718
Total Cost

Self-Empl Taxes: \$22,163
Federal Income Tax: \$18,705
Tax Prep Fees: \$850

	Sole Prop	S-Corp
Business Income	200,000	200,000
less W-2 Wages	0	(125,000)
less Payroll Taxes	0	(9,563)
less Business Expenses	(10,000)	(10,000)
less Augusta Rule		(12,000)
less Payroll Processing/CA Tax		(3,100)
Net Business Income Section 199A	190,000	40,338
Individual Tax Return Income		
W2 Income		125,000
S-Corp Flow-Through Income		40,338
Sole Proprietary Income	190,000	
less Half SE Tax	(11,082)	
Taxable Income	178,918	165,338
less Standard Deduction	(24,800)	(24,800)
less QBI Deduction	(35,784)	(8,068)
Taxable Income	118,334	132,470
Income Tax	18,705	21,316
Self Employment Tax	22,163	
Total Tax	40,868	21,316
Total Cost	Sole Prop	S-Corp
Self-Employment Tax	\$22,163	
Payroll Tax		\$19,125
Federal Income Tax	\$18,705	\$21,316
Tax Preparation Fees	\$850	\$2,050
Annual FTB Fee		\$800
Payroll Processing Fees		\$800
Total	\$41,718	\$44,091
		(\$2,373)

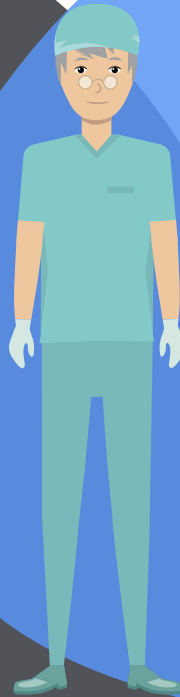
EXAMPLE B

Income of \$350,000

S-Corp PENALTY of \$1,393

S-Corp
\$75,164
Total Cost

Payroll Taxes: \$21,424
Federal Income Tax: \$50,090
Tax Prep Fees: \$2,050
Annual FTB Fee: \$800
Payroll Processing Fee: \$800



Sole Prop
\$73,771
Total Cost

Self-Empl Taxes: \$26,757
Federal Income Tax: \$46,164
Tax Prep Fees: \$850

	Sole Prop	S-Corp
Business Income	350,000	350,000
less W-2 Wages	0	(150,000)
less Payroll Taxes	0	(10,712)
less Business Expenses	(10,000)	(10,000)
less Home Deduction/Augusta		(12,000)
less Payroll Processing/CA Tax	0	(3,100)
Net Business Income Section 199A	340,000	164,188
Individual Tax Return Income		
W2 Income		150,000
S-Corp Flow-Through Income		164,188
Sole Proprietor Income	340,000	
less Half SE Tax	(13,091)	
Taxable Income	326,909	314,188
less Standard Deduction	(24,800)	(24,800)
less QBI Deduction	(60,422)	(32,838)
Taxable Income	241,687	256,550
Income Tax	46,164	50,090
Self Employment Tax	26,757	
Total Tax	72,921	50,090
Total Cost	Sole Prop	S-Corp
Self-Employment Tax	\$26,757	
Payroll Tax		\$21,424
Federal Income Tax	\$46,164	\$50,090
Tax Preparation Fees	\$850	\$2,050
Annual FTB Fee		\$800
Payroll Processing Fees		\$800
Total	\$73,771	\$75,164
		(\$1,393)

EXAMPLE C

Income of \$425,000

S-Corp BENEFIT of \$8,297

S-Corp
\$97,784
Total Cost

Payroll Taxes: \$21,424
Federal Income Tax: \$72,710
Tax Prep Fees: \$2,050
Annual FTB Fee: \$800
Payroll Processing Fee: \$800



Sole Prop
\$106,081
Total Cost

Self-Empl Taxes: \$29,388
Federal Income Tax: \$75,843
Tax Prep Fees: \$850

	Sole Prop	S-Corp
Business Income	425,000	425,000
less W-2 Wages	0	(150,000)
less Payroll Taxes	0	(10,712)
less Business Expenses	(10,000)	(10,000)
less Home Deduction/Augusta		(12,000)
less Payroll Processing/CA Tax	0	(3,100)
Net Business Income Section 199A	415,000	239,188
Individual Tax Return Income		
W2 Income		150,000
S-Corp Flow-Through Income		239,188
Sole Proprietor Income	415,000	
less Half SE Tax	(14,095)	
Taxable Income	400,905	389,188
less Standard Deduction	(24,800)	(24,800)
less QBI Deduction	(20,444)	(18,515)
Taxable Income	355,661	345,873
Income Tax	75,843	72,710
Self Employment Tax	29,388	
Total Tax	105,231	72,710
Total Cost	Sole Prop	S-Corp
Self-Employment Tax	\$29,388	
Payroll Tax		\$21,424
Federal Income Tax	\$75,843	\$72,710
Tax Preparation Fees	\$850	\$2,050
Annual FTB Fee		\$800
Payroll Processing Fees		\$800
	\$106,081	\$97,784
		\$8,297

Important Numbers When Buying a Practice

Operating Income

Income after practice overhead

O1

O3

Delta Dental %

How much of a haircut will you have due to Delta Dental?

Cash Flow

Net cash flow after debt service

O2

O4

OVERRATED NUMBERS

1. Price
2. Revenue
3. Purchase Price Allocation



Important Numbers When Buying a Practice

Delta Dental %

How much of a haircut will you have due to Delta Dental?

		Estimated Delta Crown Fee	Delta Portion	Patient Portion
Delta PPO Patient	Delta PPO Dentist	\$800	50% \$400	50% \$400
	Delta Premier ONLY Dentist	\$1,000	50% \$500	50% \$500

Tax Tips

For Early Practice Owners



Depreciation & Amortization

Prepare for drop off in Year 5



The Augusta Deduction

Rent home to yourself for board meetings



Retirement Plan

Save on taxes while saving for the future



Personal Item Within Reason

Health Insurance, Vehicle, Meals, Travel



Financial Planning Tips Anyone Can Do Today



Be proactive
about student
loans



Don't let debt
scare you from
buying a practice



Spend less than
you make



Never let taxes
surprise you



Have an annual
savings goal



Fund max.
amount into
IRA's

Thank You



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