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# GRAY ♦ PILGRIM

AND ASSOCIATES, LLC

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Your Practice can pay you rent for a home office



## Tax Saving Ideas Issue

### CHARITABLE CONTRIBUTIONS

With the new tax law changes, it is harder to itemize. The standard deduction was raised to \$24,000 for Married Filing Jointly taxpayers in 2018 and \$24,400 in 2019 and \$12,000 for Single taxpayers in 2018 and \$12,200 in 2019. This increase benefits many taxpayers because they get a bigger deduction than what they would have gotten with itemizing.

One idea to use if you are *close to being able to itemize* is to make your charitable contributions all in one year for two years. Rather contributing one year, you hold onto them and make them in the following year with that year's contribution. Making two years of contributions in one year could put you over the threshold of being able to itemize.

Utilizing a qualified charitable distribution from your IRA is another way to help yourself out tax wise. You can do this whether or not you can itemize. You make your charitable contributions directly from your IRA fund and it becomes a tax-free distribution.

Typically, you would contribute stocks that have gone up in value which saves you getting taxed on the gain had you sold it instead. The stock must have been held for twelve months prior to your gifting to qualify. Again, it must go directly from your IRA fund. A great underutilized tax savings option.

### RENTAL OF PERSONAL RESIDENCE

How do you get a benefit out of this?

It all started with the Olympics being held in the US where city residents rented out their homes to people who wanted to attend. The ruling is that as long as you do not rent your personal home out for more than 14 days in a year, you can take that rent money and NOT report it as income and it still preserves your home being considered your primary residence for tax purposes.

One step further – you may choose to hold a business function at your home and pay yourself a fair rent for use comparable to that of a nice hotel or conference center in your area. Pay yourself out of the business and the income does not have to be reported as income. Holding a staff function such as team building is one of the main uses of this. It is important to charge a comparable rent to the area you live in.

### HOME OFFICE RENTAL

You can have your practice pay you rent for your business office being in your home. The space must be exclusively and regularly used as a home office. A reason to have the home office is generally because of privacy and security of business records. Also having uninterrupted time to work on a business project such as payroll, reviewing day sheets for proper coding, reviewing or paying bills for the practice. You can take a standard, simplified rate per the IRS of five dollars per square foot for up to 300 total square feet or \$1,500 annually. If your space is larger, you are limited to this amount unless you want to use the actual method, which requires more information. The IRS gave us a simplified method which is generally the best one to use.

*Small kids can get a paycheck for modeling in pictures for your office, pamphlets, website or other marketing materials.*



*Having a spouse on payroll allows you to keep more money in the family*

## Children on the Payroll



Having your children (or someone else) on payroll to keep more money in the family is doable with a modeling fee and contract, which we can provide. You can have very small kids getting a paycheck for modeling. You display the professional pictures in the office or on pamphlets, website, or other marketing materials. They do not have to be identified as your children.

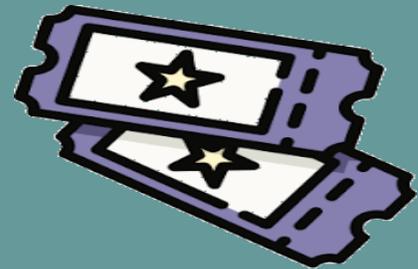
They are paid so much per image and if you keep it below the filing requirements for the child's tax return, the money can be earned without paying any federal taxes. Other taxes will be calculated.

Depending on your entity, they may have to pay Social Security and Medicare taxes and sometimes state taxes, but the biggest tax – federal – they don't have to pay any taxes on the money but you get to deduct it in your practice. Neat way to save for your kids' college or funding pension for them to use for college later on. Keeping their earnings at \$12,000 or less is best but higher than that, the tax is only 10% initially.

## Spouse on the Payroll

Whether to employ your spouse is a decision you should think about before doing it. If you have a pension plan then you can have the spouse paid enough to cover whatever level of pension they want to fund or what can be substantiated as their duties. Even though you may be paying more Social Security taxes to put them on payroll rather than you just taking more payroll yourself, it keeps more money in the family and you get a deduction for their gross wages and any pension matching. How much you pay them is based on what type of plan you have and how much money you have available to contribute to pension.

Putting your spouse on payroll could also insure that they can draw Social Security off their own record if they have enough quarters of wages. The rules show that you have to have 40 quarters of earnings to be able to draw Social Security on your own record. The gross for each quarter this year is \$1,320 or \$5,280 for all four quarters combined.



## Meals and Entertainment

Rules on deductibility are being lightened up as we suspected would happen. Entertainment is still the same – no golf club dues – no tickets to sporting events- period. Meals at an entertainment event can still be deducted if they are totally separate from the event itself. Meals that are reasonable and necessary are still deductible at 50% but you must be careful to identify the nature of the expense to get the deduction. Meals during business travel are deductible at 50% also. Simply write on the receipt who you were with and what the business purpose was and this keeps the deduction valid. The key is that there should not be an entertainment aspect to the meals.



# Other Tax Saving Ideas

## **COMMUTING MILEAGE TURNED INTO BUSINESS MILEAGE**

The secondary benefit to having a home office is that you now can take mileage from your home office to your practice because your first business stop of the day is at your home office. This eliminates commuting mileage which isn't deductible. This is the true benefit from having a home office.

## **RENT ON YOUR OFFICE BUILDING**

If you are renting your own building to your practice, it is a good time to re-evaluate how much your charge and most likely increase it for 2019.

## **CASH BALANCE PENSION PLAN**

Cash Balance Plans can help save major taxes. If you are looking to maximize your pension contributions and you want to contribute more than what you are able to with the regular plans, consider a 401k safe harbor plan with match linked with a cash balance defined benefit pension plan. It works best for an owner over age 40 who has a younger staff because of the testing requirements. It can be tested to see if it could work for you because ultimately you want the numbers to work out where you, the owner, gets the higher benefit with keeping the staff funding part lower. This can have a huge impact on your tax bill.

## **COST SEGREGATION STUDY**

If you have purchased a building recently or plan to do so soon for your dental practice, consider a cost segregation study. It breaks the building down into different components which can be depreciated more rapidly.

## **CAPITAL GAINS AND LOSSES**

If you are expecting some large capital gains, look for potential losses you could take now to offset those gains. Be watching your portfolio to be able to manage the taxable income.

## **DIVORCE**

The rules have changed beginning in 2019 about the deductibility of alimony payments, so finalize any divorce/separation agreements in 2018 to be able to deduct future alimony payments. If it doesn't get completed by yearend, then it becomes a negotiating factor for future years.

## **DEPRECIATION - VEHICLES**

Cars can be depreciated up to the limit of \$18,000 for 2018 with 100% business usage. SUVs weighing 6000 pounds or more fully loaded can still use the \$25,000 expensing election as long as it is used 50% or more for business and bonus depreciation can also be used so that you could get a full deduction in 2018 if used at 100% for business. Trucks over 6000 pounds with a cargo bed that is six feet long qualifies for the \$25,000 expensing election as well. Electric vehicles still can get you a tax credit until the manufacturer sells its two hundred thousandth vehicle and this it is gone.

## **DEPRECIATION – EQUIPMENT**

Section 179 accelerated depreciation is still allowable for both new and used equipment up to \$1,000,000 as long as you don't purchase more than \$2,500,000 in total. Bonus depreciation is also available to be used for new or used equipment purchases.

These are just some highlights of some of the most underutilized or misunderstood deductions. As the end of the year comes closer, expect to see lots of things you can do, last-minute, to save taxes but not all of them are realistic or even legal. Bottom line - It is one thing to be aggressive and another thing altogether to be stupid. Let's be aggressively smart together!



# CDT Coding Changes for 2019

We really like Charles Blair's book called *Coding With Confidence*. It is easy to read and contains lots of warnings and suggestions for different codes. Check it out.

## New Codes

**D0412** blood glucose level test - in-office using a glucose meter

**D1516** Space Maintainer – fixed – bilateral, maxillary

**D1517** Space Maintainer – fixed – bilateral – mandibular

**D1526** Space Maintainer – removable – bilateral, maxillary

**D5282** Removable unilateral partial denture – one piece cast metal (including clasps and teeth), maxillary

**D5283** Removable unilateral partial denture – one piece cast metal (including clasps and teeth), mandibular

**D5876** add metal substructure to acrylic full denture (per arch)

**D6205** Pontic – indirect resin based composite – Not to be used as a temporary or provisional prosthesis.

**D9130** temporomandibular joint dysfunction – non-invasive physical therapies

**D9613** infiltration of sustained release therapeutic drug – single or multiple sites

**D9944** Occlusal guard – hard appliance, full arch

**D9945** Occlusal guard – soft appliance, full arch

**D9946** Occlusal guard – hard appliance, partial arch

**D9961** duplicate/copy patient's records

**D9990** certified translation or sign - language services - per visit

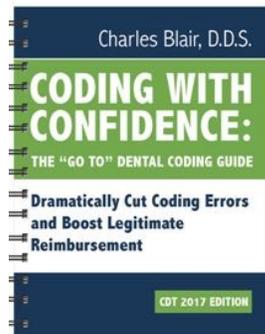
## Deleted Codes

**D1515** space maintainer - fixed - bilateral

**D1525** space maintainer - removable - bilateral

**D5281** removable unilateral partial denture – one piece cast metal (including clasps and teeth)

**D9940** occlusal guard, by report



Purchase Dr. Blair's book by going to:  
<https://www.practicebooster.com/store.asp>



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# Epic Wealth Management



In the past, many clients have asked us whether we would manage their pension accounts because they already have a trusted relationship with us and we know much of the information that is needed to be a good financial guide to them.

So, we started a new entity called Epic Wealth Management. Charlene Bridger heads it up and we are so proud to take this next step to make this available to our clients. Epic Wealth Management partners with BAM, Buckingham Asset Management, to bring this quality investment resource to you.

Together with Charlene, we will be happy to discuss with you what your financial goals are and how we can work using tax laws to give you adequate funds to invest and grow providing you with the retirement that you both want and need. We have heard that sometimes their investment advisors don't take any time with them unless they have endless sums of money to invest. Epic is different, by choice.

Warren Buffet stated that "Success in investing doesn't correlate with IQ. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people in trouble investing."

Larry Swedroe, Director of Research with The Bam Alliance says that "The reason temperament trumps intellect is that having the right temperament is what allows you to ignore the "noise" of the market and be a patient, disciplined investor, adhering to your well-thought-out plan through the inevitable bad times – times when even good strategies deliver poor outcomes.

This really puts it into perspective it seems to me. When I first got into accounting, I had a client who had detailed records on stocks and graphs of performance that he had done by hand (pre-internet) and he followed money managers of different funds. Copies of articles he found etc. Beautifully done.

He was super intelligent, affluent and obsessed with the market and investing and every year when he gave us his investment folder, we saw again and again, that he lost his shirt in the market. It was quite a learning experience for me. There are some successful day traders out there but they are few and far between. We have had some as clients and let's just say that they will continue working for awhile to support their dream. It is also so easy to get caught up in the investment gurus on television. They are there for entertainment purposes – don't get fooled into believing that they are there for anything other than that.

Don't let other people determine what your risk tolerance is. You must be totally honest about it. If you are going to check your investment account every day or every week, you most likely are not terribly risk tolerant. Know yourself. There isn't any reason to feel you need to be aggressive when it will end up driving you crazy in the end. This is one of the most critical things to "get right" in your overall investment decisions. No matter what, sometimes really good strategies will not have positive outcomes and you have to be able to look past that and see the big picture.

Put your trust and faith in the people who follow the markets and know the money managers and do this as their occupation – it takes more than one person to do that. It requires a solid firm that takes the time and has the knowledge and dedication of many people to help us all bring your vision to fruition.

