

# DocTalk

SPECIAL  
2012 TAX ISSUE

Exclusively for Dental Health Services Participating Dentists and Their Staff

## Tax Deductions for Dental Practices

With tax season upon us, there are a number of dental practice-specific tax deductions that could save your practice thousands of dollars and impact your bottom line. As an advocate for the growth of your practice, Dental Health Services compiled a list of tax deductible items that may apply to you. Be sure you take advantage of these deductions, since they will reduce the amount of taxable income for your business.

While these are well-documented deductions, they are only informational and are not meant as tax advice. You should always consult with your tax advisor to determine how these items apply to your situation. Let's take a look at some of the tax deductible items that could benefit your business.

### 1. Equipment Purchase

This tax deduction is a result of the Tax Relief Act of 2010, Section 179. Under this tax-law change, if you bought property for your practice and placed it into service before the end of 2011, you can immediately deduct that equipment purchase. Deductions are allowed for 100% of the property's value.

“Property” can be classified into two different types – personal and real. While it can be confusing, the term “personal property” does not mean nonbusiness assets. Furniture, automobile, certain office improvements, etc. that were placed into your dental office are considered personal properties. Personal properties valued

>> *Continued on back*



# DocTalk

SPECIAL  
2012 TAX ISSUE

Exclusively for Dental Health Services Participating Dentists and Their Staff

at up to \$250,000 can be written off. On the other hand, “real properties” refer to real estate assets. Real properties valued up to \$500,000 are tax deductible.

## 2. Payroll Taxes

The Tax Relief Act of 2010 also covered changes to payroll taxes - it reduced it by 2%. This change is only applicable to the employee portion of payroll taxes and does not apply to the employer portion. Self-employed dentists can also apply this reduction to 50% of employee portion of their taxes.

## 3. Manufacturing Deductions

If you have a machine that manufactures crowns or other biocompatible, aesthetic restorations, and you install them, your production costs can be deducted. Keep in mind you have to allocate your overhead costs between your other dental income and services. In addition, your business level status plays a factor.

Below is the calculation of the credit:

Qualified production activities income  
- Qualified production activities expenses  
= Qualified production activities net income  
x The deduction rate of 6% for 2009 (for 2010, the rate is 9%)  
-----  
= THE TENTATIVE DEDUCTION

Remember to consult a tax professional to see how you qualify for these deductions. We hope you have a smooth tax season and a productive year! ■



Dental Health Services

*A Great Reason to Smile<sup>sm</sup>*

[www.dentalhealthservices.com](http://www.dentalhealthservices.com)

3833 Atlantic Avenue | Long Beach, CA 90807  
Tel 562-595-6000 | Fax 562-424-0150 | Toll Free 800-223-4347