

9 Tax-Smart Moves You Can Make for Your Dental Practice before the End of the Year

As 2020 winds down, there is still time to reduce your tax obligation. Here are some ideas to make your 2020 tax filings less of a burden to both you and your dental practice.

1. **Consider a vehicle purchase or lease.** There are several tax deductions available if you own or lease a vehicle for business use. General expenses can be tax-deductible, including fuel, oil changes, repairs, new tires and even car washes. Depreciation or lease payments, insurance and interest on a business car loan or lease are also tax-deductible expenses.
2. **Update the office.** A fresh coat of paint and new office furnishings not only make your office more comfortable; they also provide another tax deduction.
3. **Review your personal checkbook and credit card statement.** You should thoroughly review your personal checking and credit card activity for the full year to identify any professional or practice expenses that you mistakenly paid for personally. Be sure to have your practice reimburse you for this on a tax-free basis before December 31st.
4. **Consider a Disaster Relief Reimbursement Plan.** When President Trump declared the coronavirus a national disaster, Internal Revenue Code Section 139 became effective. This allows employers to make tax-deductible payments to their employees, and their employees receive tax-free reimbursements for various personal, family, living, and funeral expenses incurred as a result of the coronavirus pandemic. Eligible expenses include any cost associated with maintaining your home as an office, childcare costs, out-of-pocket medical costs not covered by health insurance, and funeral costs for either an employee or family member.
5. **Update your skills.** Attend a workshop or conference to improve your professional skills. While there are some limitations, many travel, lodging and out-of-pocket expenses related to professional training are tax-deductible.
6. **Accelerate expenses.** Individual taxpayers and most dental practices are on the cash basis of accounting for income tax purposes. This means your income is taxable when you receive it and expenses count when you pay them. Depending on your situation, shifting deductions between years can make a big difference on your tax bill. With this knowledge, making additional deductible payments prior to the end of the year may be a tax-smart move.
7. **Make effective use of capital losses.** Up to \$3,000 in capital losses can be claimed each year to reduce your ordinary income. This loss limitation is calculated after netting all your capital losses against any capital gains. When you have more losses than gains, up to \$3,000 can be used to reduce your other income. With careful planning you can take advantage of this loss amount each year.

- 8. Donate appreciated stock.** By donating appreciated stock owned one year or longer to a favorite charity, you receive two benefits. First, you will not have to claim the capital gain on the appreciation of your investment. Second, you can claim the higher market value of the stock as your contribution amount. The procedure you need to follow to qualify your donation of appreciated stock is fairly strict. Ask for help from your Investment Advisor and the charitable organization to ensure it is done correctly.

- 9. Fully fund tax-deferred retirement accounts.** An easy way to reduce your taxable income is to fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 401(b)s and various IRAs (traditional, SEP, and SIMPLE).

This is a short list of some of the ideas you can use to lower your tax obligation in 2020.

I would like to wish you and your family a happy and healthy holiday, as well as a prosperous new year.