

Dental Practice Research and Development Tax Credit

More and more dentists are now engaging in research and development as a result of improved technology, which is reshaping the dental industry. One such example is through 3D printers, which can be used for the printing of a variety of materials, such as metals and ceramics. In some cases, this eliminates the use of dental labs for manufacturing crowns and dental implants, saving the practice significant money. Some orthodontic practices are using these 3D printers to manufacture their own aligners.

Not only does manufacturing your own crowns, dental implants, and aligners save you money, it is also eligible for the research and development tax credit. ***The credit is now a permanent tax credit, so why not take advantage of it this year if you qualify?***

To be eligible for this credit, the qualified research costs will need to meet four criteria:

- be for new or improved products or software,
- be technological in nature,
- should eliminate uncertainty,
- and there needs to be a process of experimentation to test the new products.

Eligible costs would include employees' wages, cost of supplies, cost of testing, contract research expenses, and costs associated with developing a patent. Qualified research is defined as research that is intended to discover information that is technological in nature and is used in developing a new or improved business component of the dentist's practice.

There are a few different ways to calculate and use the R&D tax credit:

Regular Tax Credit – this credit is 20% of the research expenses that are in excess of a base amount. The base amount involves numerous calculations and is based on numerous factors and dates. If you use the regular credit calculation, you must reduce your research expenses deducted on your return by the amount of the credit.

Alternative Simplified Tax Credit – this credit is calculated as 6% of the research expenses. There are no other calculations that need to be made. Also, with this credit, you must reduce your research expenses deducted on your return by the amount of the credit.

Qualified Small Business Payroll Tax Credit – this is the smallest of the R&D credits available. If a dental practice meets the criteria of a qualified small business, they may be able to apply part or all of the R&D credit against their payroll liability instead of their income tax liability. This credit can apply only to the employer's portion of social security tax. It is also important to note that this credit can be elected each year, but cannot exceed 5 years.

As you can see, there are a few options available to your practice for this dental practice research and development tax credit if you meet the requirements. If you believe some of the work you do in your practice will qualify for this special tax credit, it could save you thousands of dollars each year.