

Setting up a New Practice Retirement Plan Could Entitle You to a Large Tax Credit

Eligible dental practice owners may be able to claim a tax credit of up to \$5,000 per year for three years, for the ordinary and necessary costs of starting a qualified retirement plan such as a SEP, SIMPLE, 401(k) or defined benefit plan.

You qualify to claim this credit if:

- You had ***100 or fewer employees*** who received at least \$5,000 in compensation from you for the preceding year;
- You had ***at least one plan participant who was a non-highly compensated employee (NHCE);*** and
- In the three tax years before the first year you're eligible for the credit, your employees weren't substantially the same employees who received contributions or accrued benefits in another plan sponsored by you ***(for example, if you change plans which now include many more employees).***

The credit is 50% of your eligible startup costs, up to the greater of:

- \$500; or
- The lesser of:
 - \$250 multiplied by the number of NHCEs who are eligible to participate in the plan, or
 - \$5,000 ***(maximum \$15,000 over 3 years)***

You may claim the credit for ordinary and necessary costs to set up and administer the plan and to educate your employees about the plan. It can be claimed for each of the first 3 years of the plan, and you may choose to start claiming the credit in the tax year before the tax year in which the plan becomes effective.

You can't both deduct the startup costs and claim the credit for the same expenses, but claiming the credit, if eligible, will be significantly more beneficial to you.

If you have been delaying setting up a new qualified retirement plan for your practice because of the costs, then thanks to the SECURE Act, up to half of these costs can be eliminated through this tax credit.

Many dental practice plans need to be established no later than October 1st, so don't delay and be sure to reach out to our office if you have any questions.