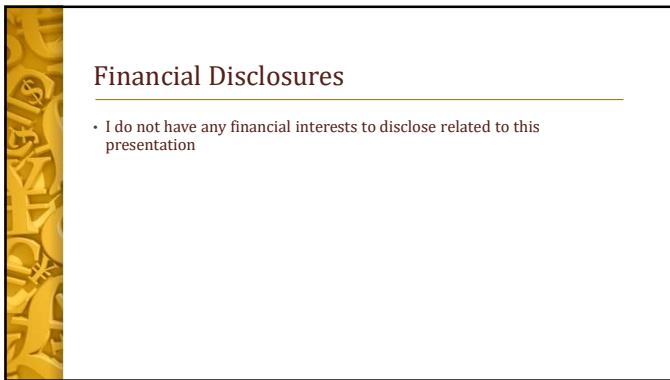


**Tax Advantages
of owning a
Private Practice**

Business of Retina 2025
Atlanta, GA.

Keith A. Warren, M.D.
 Founder and President Warren Retina Associates
 Member, Board of Directors, American Board of
 Ophthalmology
 Clinical Professor & Chair Emeritus, KU Ophthalmology

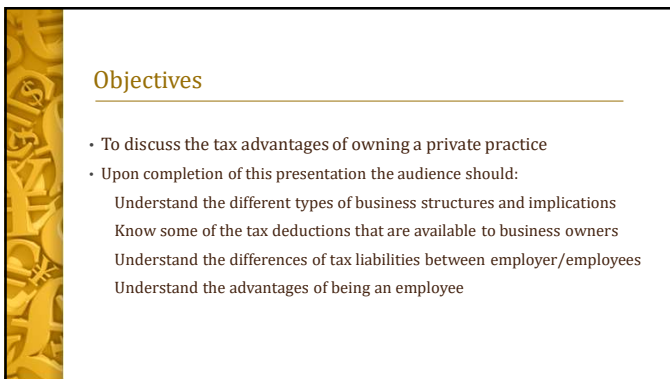
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Financial Disclosures

- I do not have any financial interests to disclose related to this presentation


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Objectives

- To discuss the tax advantages of owning a private practice
- Upon completion of this presentation the audience should:
 - Understand the different types of business structures and implications
 - Know some of the tax deductions that are available to business owners
 - Understand the differences of tax liabilities between employer/employees
 - Understand the advantages of being an employee


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Disclaimer

- I AM NOT A TAX ATTORNEY OR CERTIFIED TAX ACCOUNTANT!!!!


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Acknowledgement

- I am current in ALL of my tax liabilities
- 12 years in academia(Department Chair)
- 20 year solo private practice(Expert in Retina)
- Advised by certified Tax Accountant and Wealth Advisor(Expert in Business Taxes)
- Still learning about tax implications

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PLEASE CONSULT YOUR ACCOUNTANT OR TAX ATTORNEY FOR ANY QUESTIONS ABOUT YOUR TAX LIABILITIES!!!


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Owning a Business “The American Way”

- Embodies the core values and culture of the United States
- Anyone can create a business and succeed is the American dream
- Encourages Innovation, Risk taking, and self-reliance (“eat what you kill”)
- Independence, control of own success and wealth
- Government supports through legislation, funding, **tax incentives**


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Personal Taxes vs. Business Taxes

- Most employees are “W-2” wage earners
- Taxed on basis of W-2 earnings
- Use Standard Form 1040 to assess tax liability
- Business are taxed based on the type of business structure
- Variety of tax forms required(Accountant/ Tax attorney)

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Business Structures

Taxation depends on the business structure

- Sole Proprietorship – income on owner’s personal return(Business and self-employment tax)
- Partnership - Business income passes to partner to personal return(No Business tax, but does have Self-employment tax)
- Corporations (C Corp or S Corp)- C Corp-Tax at corporate/personal level
- **S Corp – Business income passes through to personal return (No Business or self employment tax)**
- LLC -Limited Liability Company – Business income passes to owner +/- self-employment tax

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Deductions

Employee Deduction	Bus. Owner Deduction	Bus. Owner Deduction + Bus. Expenses
<ul style="list-style-type: none"> • Mortgage interest • Retirement contributions • Charitable contributions • Dependents and Child tax credits • HSA 	<ul style="list-style-type: none"> • Mortgage interest • Retirement contributions • Charitable contributions • Dependents and Child tax credits • HSA 	<ul style="list-style-type: none"> • Mortgage interest • Retirement contributions • Charitable contributions • Dependents and Child tax credits • HSA • Equipment/depreciation • Salaries • Self employment tax • Business travel • Office mortgage/rent • Business use of home • Defined Benefit Plan(CBP)

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DEDUCTION EXAMPLES

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Deductions

Business use of Home

- The space must be used exclusively and regularly for business purposes
- Home should be principal place of business, **except** if there is no other fixed location and regular administrative and managerial activities are performed there.*
- Calculate actual expenses incurred for the business portion of your home
- Exclusive use(storage room/bedroom... NOT!!!)
- Regular use
- Principal place of business*

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Deductions Business use of Home (Example)

Home area (4650 sf) Office space 18 x 24 (432sf) Office 432/4650 = 0.0929 or 9.3%

Direct expenses		Indirect expenses (9.3%)	
• Painting	\$700	• Mortgage Int. payment	\$49,200
• Office furniture	\$2,100	• Insurance	\$3,750
• Router	\$695	• Property tax	\$8,450
Total	\$3,495	• Repairs/ Replacement*	\$6,250
		• Utilities	\$6,150
		Total	\$73,800 x 0.093 \$6863

Business use of home - Deductions = \$10,358

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Deductions Business related travel

- Allows for deduction of business-related travel expenses.
- Must be away from tax "home" and for business purposes
- Allowable expenses include, transportation, lodging, meals(50%)
- Must **keep receipts and written record** to substantiate travel
- Good benefit for employees(Retention and education)
- AAO and Business retreat

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Deductions Business related travel (Example)

• Local Ophthalmologic Society Meeting	• Chicago AAO Meeting
Expenses - Employee salary(+)	Expenses-Employee salary(+)
Meeting Registration	Meeting registration
Meals(50%)	Meals(50%)
	Transportation
	Housing

Added Benefits
 Improves staff education and performance
 Interactions with peers from around the country
 Builds staff moral and loyalty

All of these expenses tax deductible. Greater reduction in tax liability with out-of-town Meeting

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Deductions
Defined Benefit Plan (Cash Balance Plan)

- Type of defined benefit plan(Traditional plan and contribution plan)
 - Benefit separate from traditional 401(k) plan
 - Participants receives set percentage of yearly compensation + interest
 - Must comply with federal regulations (**All employees/guaranteed**)
 - Attractive employee benefit (recruitment and retention)
 - *Significant salary difference owner/employee. Up to \$380k!!!
 - Owners can contribute significantly more towards retirement***

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Deductions
Defined Benefit Plan/CBP (Example)

- 10 employee practice
- 8 employees (3% of salary/employee(24%)
- Physician owner/Administrator(51% of salary/25% of salary(76%)
- Business contributes/Plan guaranteed
- MD salary \$300,000 = \$153,000 Contribution to retirement plan


These significant contributions are ALL tax deductible as business expense

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Summary

- Business ownership is the "American Way"
- Entrepreneurship promotes innovation, risk taking, and self-reliance
- Practice owners have more control over income
- Private practices have a wider range of deductions and retirement contribution options
- Practice owners have greater administrative complexity and responsibility for management and health of practice(People/equipment/office space, etc.)**HEADACHE!**
- Practice owners at greater overall financial risk


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Summary

- Employees have fixed salaries with possibility of incentives(Guaranteed!!)
- Employees have fewer business deduction available to them
- Employees enjoy simpler tax filings and employer-provided benefits(PTO/Retirement, etc.)
- Employee avoid the headache of administrative and management responsibility
- Employees avoid significant financial risk and responsibility for health/success of business

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Closing Thoughts


NO bad Choice!

There are advantages to being either a practice owner or employee

What you choose depends on your financial situation, long term goals, need for independence, risk tolerance/adversion and a willingness to shoulder the responsibility of owning a practice

The stability and simplicity of being an employee carries much less risk and has many benefits including one's overall health and well-being

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Thank You!!!!!!

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