2018 BLUE BOOK

Trends and Developments in the Dental Industry

CPAs / ADVISORS

blue

Dental Services

About the 2018 Blue Book

Welcome to the 2018 Blue Book presented by Blue & Co. Dental Services.

Now that all of your 2017 tax returns have been filed, it's time to look forward to 2018 and answer the one question every dentist asks him or herself after the final day sheet for the year has been printed: "How can I do better in 2018?"

While every dentist and office has a different set of resources and constraints, we've found that there are many common issues that dental professionals throughout the industry encounter.

Unlike a survey, which summarizes and analyzes historical information, the 2018 Blue Book uses a prospective approach to explore trends and developments in the industry from a financial perspective. It is designed to provide you with information related to current events in dentistry, as well as offer real, tangible ideas for improvements you can make in 2018.

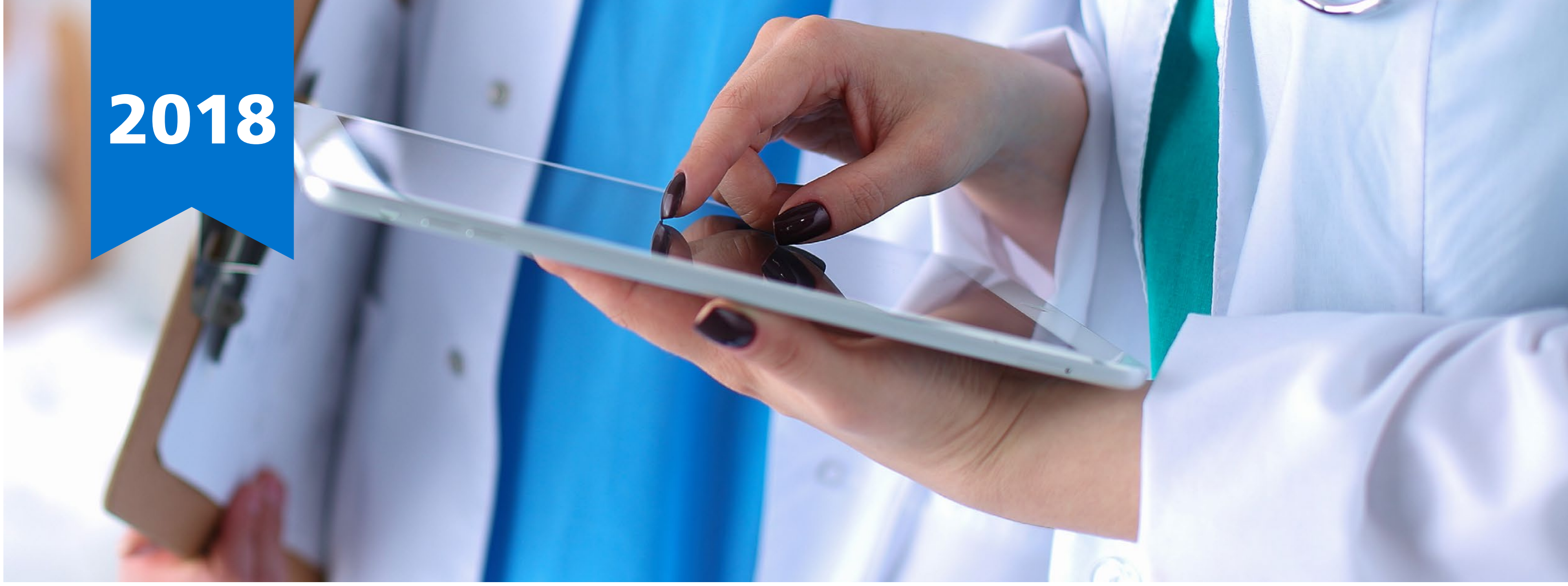
In this year's Blue Book, we are happy to present the following:

- Dental Outlook
- IRA Basics & Strategies
- How's Your Office Culture?
- Dental Coding, Billing, and Documentation
- 2018 Charitable Deductions
- Should I be Using QuickBooks Desktop or QuickBooks Online?
- Implications of Real Estate Ownership for Dentists
- What to Know Before Hiring Temporary Help
- Tax Related Identity Theft: How to avoid falling victim
- All the Tax Facts: A summary of important figures to know for the 2018 Tax Season

We hope you find the articles and information presented in the 2018 Blue Book informative and thought provoking, and we encourage you to use it as a tool to increase your bottom line in 2018.

Blue & Co., LLC

The 2018 Blue Book analyzes specific scenarios and how Federal Tax Law affects each set of circumstances. The planning opportunities mentioned in the 2018 Blue Book may or may not be appropriate for your situation, so please be sure to obtain professional advice before acting on any of the general information presented in this guide.



Dental Outlook

As we look forward to 2018, we anticipate that there will be continued changes of trends within the dental industry. Some of the changes we anticipate, based on what we are observing within the market, are the following:

Patients are continuing to be more educated about procedures and are readily seeking second opinions before committing to a treatment plan. As a result, dentists need to innovate how treatment plans are presented and how patients are being educated.

We are seeing corporate dental groups interested in investing in more rural locations. This has also increased the numbers of potential buyers interested in practices, which in turn has increased the competitive pricing of the practices being sold.

Recent dental school graduates are having more options as they enter into practice. Existing practices are seeking associates to expand their availability to patients. Dentists who graduated recently also have the option of joining corporate dental offices as they are seeking dentists to employ.

We are observing an increase in the number of group practices and the number of multi-office practices. This trend has enabled dentists to lean on their partners for shared expertise and expand their appointment offerings.

Advances in technology to dental offices, such as cone beams, cerac, digital records, and cad cameras, have enabled dentists to more quickly implement treatment plans. This also leads dentists to continue to seek out ways to innovate. Has your office considered switching to electronically delivered patient statements?

Insurance reimbursement continues to decline, forcing practices to evaluate which insurances they participate with or accept. This decline in insurance reimbursement highlights the importance of proper coding and billing to insure providers are collecting the maximum amount.

There is an abundance of dental hygienists seeking employment. This abundance has driven down the hourly rate of hygienists and made their services more affordable for providers. This trend should encourage providers not to undervalue their existing hygienists.

With the recent strong performance in the stock market, it is becoming increasingly important to weigh your options when paying off debt versus saving for retirement. While paying off debt is important, dentists should be considering the interest rate on their loans versus the compounding interest for retirement savings. When weighing the options, consider calling your Blue & Co. representative to add an additional informed and independent perspective.

There is an increasing interest in investing in commercial real estate. This is causing the price of commercial real estate to increase.

Congress just passed the Tax Cuts and Jobs Acts which changed the tax brackets for corporations and individual taxpayers. The last two pages of this publication have the individual tax rates. Additionally, the new bill provides pass-through businesses an opportunity to be taxed at a lower rate, provided the taxpayer that receives the income falls within certain income thresholds. Given the complexity of the new law we are happy to discuss the specifics on an individual basis.

If you have any additional questions, please do not hesitate to reach out to your Blue & Co. representative. We are happy to discuss the trends we are seeing within the industry, and help you determine your next steps and how future tax proposals will affect you and your practice. We are responsive. We are caring. We are advocates.

Have a great 2018!

IRA Basics & Strategies

An individual retirement account, or IRA, is an investing tool that provides tax advantages and is utilized by individuals seeking to earn and grow funds for retirement savings. There are a few different types of IRA accounts, but the most common are Traditional IRAs and Roth IRAs. Both of these have eligibility restrictions and limits on the amount you can contribute each year.

Let us compare the different benefits and specific rules of Roth and Traditional IRAs:

Traditional IRAs:

- Anyone can contribute
- Taxes are paid when funds are withdrawn at retirement
- 2017 contribution limits - $5,500; $6,500 if 50 or older
    - Contributions may be tax deductible on both Federal and State returns
- Withdrawals of both contributions and earnings are taxed at ordinary income tax rates
- Required minimum distributions at age 70 ½
- Lowers AGI therefore helping qualify for other tax deductions and credits.
- Certain limits on the type of assets invested

Roth IRAs:

- Income eligibility restrictions
    - For 2017, income below $133,000 (single) or $196,000 (married filing jointly)
- Contributions are post – tax dollars
- 2017 contribution limits - $5,500; $6,500 if 50 or older
- Withdrawals of contributions after age 59 ½ are tax free; earnings are taxed at ordinary income tax rates
- No required minimum distributions
- Invest in anything you want

For those individuals that would like to make a Roth contribution but earn too much to do so, consider making a non-deductible IRA contribution. Any traditional IRA can be rolled over to a Roth IRA. The tax consequences may vary, but in general, if the contribution is made from a non-deductible IRA, you will only pay tax on any growth between the date of contribution and the date of rollover. Remember, only post-tax dollars get to go into Roth IRAs. Therefore, if you had deducted your traditional IRA contributions on your tax return but then decide to convert your traditional IRA to a Roth, you will need to pay taxes on the money you contributed. There are some restrictions if you have other traditional IRA accounts, so check with your investment advisor and your Blue & Co. tax professional to prepare a tax projection and consider the options and tax implications before making any decisions.

How's Your Office's Culture?

Dental practices are continually looking for ways to increase net income or strengthen their bottom line. This is often done by analyzing expenses and looking for ways to get more out of every dollar. While managing expenses is a crucial function of strengthening the bottom line, owners often overlook the importance of developing and utilizing a winning culture to build a strong bottom line. Without a strong culture, owners may even observe declines in their production, patient satisfaction, and financial strength.

In its basic sense, an office's culture encompasses the values and actions of employees and the resulting impact on the office environment and patient experience. Studies demonstrate that culture drives performance. A company may perform well financially, but with a negative culture, the dynamics of the office can quickly decline, which could be reflected in a weaker bottom line. A further point of study is how a positive culture affects patient satisfaction. Patients interact with several employees in a given visit and therefore are influenced by the culture. One poor interaction could have a serious effect on the ability to retain that patient. Word of mouth is very important in regards to patient acquisition and retention and one poor interaction could negatively affect the prospects of retaining or acquiring several patients.

Here are a few items to look at when implementing a strong culture:

- Purpose – Employees should understand the values of the practice and goals that they can strive toward. Consider setting a production goal either of a specific service or total production that everyone can work together to achieve.

- Investing in employees - Assisting employees reach their potential will do wonders in building a relationship with the employees and thus building culture. Dentists can invest in their employees by providing continuing education opportunities or by sponsoring an outside of work activity to invest in employee relationships.

- Appreciation - Recognizing the work employees perform shows them that their work does not go unnoticed. They were hired to assist with tasks integral to the success of the practice, and a simple 'good job' can motivate them to do their best for the practice.

Building a strong culture requires time and effort, both from the owner as well as the employees. However, when the culture develops, it will not only create a better work environment, but could also improve the financial position. Furthermore, it generates an atmosphere where patients can feel comfortable and confident in the services they receive.

If you need help looking at your practice and determining what programs can be implemented to enhance your practice's culture, please contact your Blue & Co. representative to further the discussion.

Service Feature

Dental Coding, Billing and Documentation

Dental providers should have appropriate safeguards in place to ensure adherence to federal, state, and private payer requirements. Compliance with various rules and regulations will ensure that dental claims are coded and billed properly, which can also improve revenue.

The objective of a 2015 Indiana Family & Social Services Administration (FSSA) Medicaid compliance audit of Indiana dentists was to recoup millions of dollars by extrapolating overpayment estimations into the dentist's entire Medicaid population going back to 2008. Blue & Co. worked with one targeted provider during their audit with the intent of reducing their recoupment burden. Our approach ensured that hundreds of the dentist's records were complete and that the coding matched the documentation, which reduced their extrapolation amount by nearly a million dollars.

While not all practices accept Medicaid dental patients, history shows that commercial insurance companies seeking to enforce proper billing practices eventually adopt requirements issued by the Centers for Medicare and Medicaid Services (CMS) eventually trickles down to commercial insurance companies seeking to enforce proper billing practices. In fact, did you know that most third party payers currently have coverage policies related to medical necessity, dental record documentation and coding that replicate CMS guidance? Do you have a plan in place that ensures periodic dental documentation reviews and detailed coding analyses?

One dental provider found that their practice might have inadvertently been reporting certain CDT codes inappropriately for a number of years. Instead of just presuming all the claims in question were coded incorrectly and paying the insurers thousands of dollars, Blue & Co. was hired to identify if its coding practices and dental documentation supported reimbursement by commercial insurers over that several-year period. Our thorough study helped identify incorrectly (and correctly) coded accounts and provided needed education to the dentists on clinical documentation and to their coders on proper coding practices. The analysis saved the practice thousands of dollars and averted future risk of recoupment.

Implementing a voluntary compliance plan can help your dental practice. Here are the core elements that CMS recommends:

1. Conduct internal monitoring and external auditing.
2. Implement compliance and practice standards.
3. Designate a compliance officer or contact.
4. Conduct appropriate training and education.
5. Respond appropriately to detected (billing) offenses and develop corrective action plans.
6. Develop open lines of communication.
7. Enforce disciplinary standards through well-publicized guidelines.

We understand the increasingly complex dental revenue cycle. Look to Blue & Co.'s experts to help implement a compliance program and provide coding and documentation training that could improve revenue.

2018 Charitable Deductions

When planning your charitable contributions for the year, we suggest keeping in mind the following in order to maximize your tax benefit while also giving back to the cause that is important to you.

First, remember that contributions in the form of money or property may only be deducted if made to a qualified organization. These include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, as well as nonprofits that work to prevent cruelty to children or animals.

Second, these common activities are not considered charitable deductions for tax purposes:

- Dues, fees, or assessments paid to social organizations such as country clubs
- Donating services: In the event that you choose to donate your services to a qualified organization, this is not considered deductible. However, if you incur costs directly related to the services, you may be able to deduct those costs.

Example: You provide volunteer receptionist services to a qualified organization. You may not deduct the equivalent of what a paid receptionist would earn, but you may deduct the mileage to and from the organization. The charitable mileage rate for 2017 is $0.14/mile.

Example continued: In the event you require a babysitter to watch your children while you volunteer, the cost of paying the babysitter would not be deductible, as this is not directly related to the service you provided to the qualified organization (even if you are only able to volunteer by hiring a babysitter).

Third, it is important to keep in mind the limitations set by the IRS on charitable giving. Deductions for charitable contributions can be limited based on the type of donation and the organization to which you are contributing. Deductions are also limited if your adjusted gross income exceeds $311,300, if you are married filing a joint return, or $259,400 if you are a single filer.

In the event that you exceed your limit for charitable deductions, you can carry over the contributions you were not able to deduct in the current year to the next five years until it is used up.

Here is a table that can be used as a guide in determining whether your money or property given qualifies as a charitable deduction:

Money or Property Given	
Deductible	**Non-Deductible**
• Churches, mosques, temples, synagogues, other religious organizations • Federal, state, local governments if contribution is solely for public purposes • Nonprofit hospitals and schools • American Red Cross, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America, CARE, Goodwill Industries, United Way, The Salvation Army • War veterans' groups • Expenses paid for a student living with you that is sponsored by a qualified organization • Out of pocket expenses incurred when you serve a qualified organization as a volunteer *Source: www.irs.gov*	• Civic leagues, social and sports clubs, labor unions, and chambers of commerce • Foreign organizations (except certain Canadian, Israeli, and Mexican charities) • Groups that are run for personal profit • Groups whose purpose is to lobby for law changes • Homeowners' associations • Individuals • Political groups or candidates for public office • Cost of raffle, bingo, or lottery tickets • Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups • Tuition • Value of your time or services • Value of blood given to a blood bank

Should I be Using QuickBooks Desktop or QuickBooks Online?

Many dental practices use Intuit QuickBooks for daily bookkeeping services, but are you using the QuickBooks version that best suits your practice? There are several key differences between QuickBooks Desktop and QuickBooks Online that may help determine which version is best for you.

1. Start-up Fees – QuickBooks Desktop requires a purchase of the software but, there is a 60-day money back guarantee if you are not satisfied with the product. On the other hand, QuickBooks Online offers a 30-day trial period before any purchase is required.

2. Payment Structure – QuickBooks Desktop requires either a one-time payment or an annual fee for the software, depending on the Desktop version, while QuickBooks Online requires a monthly payment.

3. Internet Connection – QuickBooks Desktop can be accessed without an internet connection. However, QuickBooks Online can only be accessed with an internet connection.

4. Physical Access – QuickBooks Desktop can only be accessed on the computer on which it was downloaded, therefore it can only be used in one location. On the other hand, QuickBooks Online is a cloud-based program, so it can be accessed on multiple devices and multiple operating systems, as long as there is an internet connection. Additionally, QuickBooks Online removes the requirement to send back up copies of your files to Blue & Co., as you can set up accountant access directly into your file.

5. Automation – While using QuickBooks Desktop, transactions can be downloaded and subsequently imported into the software. QuickBooks Online has the ability to automatically perform tasks such as sending invoices and downloading bank transactions. Therefore, QuickBooks Online is always up to date and your data is continuously backed up.

6. Features – QuickBooks Desktop has several functions that cannot be performed Online. The ability to calculate and rebill job costs, as well as the ability to calculate discounts by customer are two of these features.

7. Updates – When using QuickBooks Online you are always working with the latest version of the software. This provides a convenience when compared to the desktop versions where you have to download and install updates and purchase updated software periodically.

Now that you know some of the key differences between QuickBooks Desktop and QuickBooks Online, here are a few of the different subscription levels available within Desktop and Online.

QuickBooks Desktop Subscription Levels

Pro 2017

- Annual subscription of $299.99
- Option to purchase technical support if necessary

QuickBooks Online Subscription Levels

Simple Start

- $10 monthly subscription – discount available for annual subscription pre-payment
- 1 Company User, 2 Accountant Users
- Track income and expenses
- Create estimates and invoices

Essentials

- $24 monthly subscription– discount available for annual subscription pre-payment
- 3 Company Users, 2 Accountant Users
- Simple Start abilities
- Mange bills
- Track time

As you can see, there are many differences between QuickBooks Desktop and QuickBooks Online, from the many different features to different subscription levels. Choosing the appropriate bookkeeping software for your practice is key to running a successful business. The first step to finding the right fit is determining what functions your practice needs in a bookkeeping software.

If you would like guidance on this topic, feel free to reach out to a professional at Blue & Co. to help determine which QuickBooks subscription, if any, is best for your business.

Implications of Real Estate Ownership for Dentists

Practice ownership is a goal for many dentists as they mature in their career. As they evaluate practices on the market, certain opportunities may allow for purchase of the practice's real estate at closing or over time. As advisors, we frequently receive the question, "Should I buy or should I rent?" and we help clients understand the positives and negatives of building ownership.

Below is an example of the cash flows related to renting and buying a commercial building for a dental practice:

Rent

Building Size (sq. ft.) :	2,000
Applicable Annual Rent Rate (sq. ft.) :	$16.00
Monthly Rent (Year 1) :	$2,667
Annualized Rent (Year 1) :	$32,000
Initial Lease Term :	5 Years
Anticipated Occupancy Period :	30 Years
Annual Lease Escalator :	2.00%
Monthly Rent (Year 30) :	$4,736
Annualized Rent (Year 30) :	$56,827

Buy

Initial Cost of Building :	$500,000
Inflation (Appreciation Rate) :	2.00%
Building Holding Period :	30 Years
Building Value at Sale :	$905,681
Down Payment (20%) :	$100,000
Financed Amount :	$400,000
Loan Term :	15 Years
Loan Rate :	5.75%
Monthly Loan Payment :	$3,306
Annualized Loan Payment :	$39,670

As illustrated in the example, annual payments for occupying the building as a tenant are $32,000 in the first year, while the annualized mortgage payments are $39,670. There are also additional costs to consider. Under a triple-net lease, a tenant agrees to pay all real estate taxes, building insurance, and maintenance, in addition to normal fees typical to lease agreements (rents, utilities, etc.). Since the dentist under either scenario will be required to pay those additional costs, they can be ignored for the sake of this decision.

If the monthly and annual cash flows for buying a building are higher than the rent payments, is the simple answer to rent the building? What happens when taking the return on investment into consideration? Under the "Buy" scenario above, the annual rate of return on the respective cash flows over the holding period of the building is 1.2%. However, this does not take into consideration the economic benefit of the avoided rent payments, especially after paying off the building loan. When considering this, the rate of return increases to 10.7%. Both rate of return calculations assume the building appreciates in value at an annual rate of 2%.

Based on this analysis, should a dentist rent or should they buy? The answer, like many things in business, is – "It depends." It takes more than relying simply on the rate of return on the real estate. To determine which scenario is better under the specific situation, an acquiring dentist needs to evaluate whether they want to be in the real estate business. Not only does a dentist need to run an efficient practice to generate income for himself or herself as a dentist, he or she needs to run an efficient real estate business, even if the dental practice is the sole tenant of the building.

To help understand the implications of being in the real estate business, the potential owner should consider some of the advantages and disadvantages of owning real estate, which include but are not limited to the following:

Advantages:

1. Be your own landlord
2. Potential income streams from additional/future tenants
3. Build equity instead of paying rent
4. Diversification of assets
5. Potential asset appreciation during the holding period

Disadvantages:

1. Financial commitment to principal and interest payments on debt
2. Responsibility for repairs, maintenance, and upkeep of the land and structure in addition to interior office space
3. Occupancy issues faced by owners of multi-tenant office buildings
4. Inherent difficulties of relocation
5. Potential practice's real estate market erodes over time

Other considerations:

1. How much can the dentist afford as a down payment for the building?
2. What happens if commercial real estate markets are stable, but patient populations shift to a different area?
3. What are the differences in tax treatments of the respective cash outlays under the rent and buy scenarios?
4. What is the tax treatment of the rental income?
5. What is the tax treatment of the final building sale?

The potential for positive returns on real estate ownership are possible. However, the decision surrounding building ownership will be heavily influenced by the individual's responses to the risks and rewards of ownership.

By evaluating the advantages, disadvantages, along with the specific real estate opportunity, a dental practice owner should be able to determine whether commercial real estate investment falls within their risk appetite. As your advisors, we stand ready to help you analyze your opportunity and guide you through this very important decision.

Tax Related Identity Theft:

How to avoid falling victim

When tax season arrives, taxpayers gather their information, consult with their accountants, and prepare to file their annual returns. However, as taxpayers organize their materials, they may not consider the importance of informing their accountant of any breaches that may have resulted in their identity being stolen.

Unfortunately, identity theft proves especially prevalent early in the filing season. Successful identity thieves file a fraudulent tax return and claim any resulting refund. The taxpayer typically discovers the incident when trying to file a legitimate return. Upon submission, the return is rejected, usually due to a second use of the taxpayer's social security number.

After one's identity is stolen, the procedures that follow could prove lengthy and even complex. In order to prevent unnecessary stress, individuals should recognize common schemes utilized by identity thieves. There are various methods by which identity thieves obtain personal information, including the following:

- Sending harmful attachments or links via email
- Posing as legitimate institutions (banks, credit card companies, etc.) requesting personal information
- Hacking unsecured or public WIFI networks and targeting individuals using such networks to enter passwords or personal information
- Physically retrieving information from the trash
- Receipt of an IRS notification indicating you have not filed (the IRS does not utilize electronic communication to request personal or financial information)

While identity theft does pose a threat, taxpayers can take measures to reduce the likelihood of becoming a victim. Taxpayers should exercise caution when checking their emails and answering phone calls. Emails that contain impersonal greetings, grammatical errors, or request updated information should warrant caution. Taxpayers should be leery of providing personal information over the phone as the IRS will never call in order to request information. Taxpayers can also reduce identity theft risk by securing their paper and electronic information. Sensitive documents should be disposed of properly by shredding.

Simple ways to protect electronic information include updating firewalls, antivirus programs, routinely changing passwords and using secure file transfers when transferring sensitive documents electronically.

Individuals must do their best to exercise caution when providing sensitive information. When sharing sensitive information, consider asking for a secure site to upload any requested information. Blue & Co. utilizes ShareFile for secure file transfer. You can request a link to upload your information directly, or you can visit blueandco.com and click on the ShareFile link in the upper right hand corner. By utilizing secure file transfers, you increase the difficulty for thieves to get your information.

If you believe that your identity may have been compromised, please contact your Blue & Co. professional so that they can facilitate filing an Identity Theft Affidavit (Form 14039) with the IRS. Filing this Form will add an additional step in filing your tax return as the IRS will then provide you with a new five digit authentication pin number annually to attach to your tax return.

What to Know Before Hiring Temporary Help

When hiring temporary help, it is important to know the difference between employees and independent contractors. Properly classifying the worker is critical to knowing what taxes to withhold and pay, and what forms need filed at the end of the year. There are multiple factors that determine who is considered an employee and who is an independent contractor, but it generally comes down to control and independence of the worker.

The factors used to determine the control and independence fall into three main categories: behavioral control, financial control, and type of relationship. Businesses must weigh all the factors in each situation to determine the classification, as no single factor causes the outcome.

Some of the following characteristics for each classification and can be used as a guideline.

Independent Contractors

- Has a significant control over how and when the work is performed
- Uses own methods and training to complete the work
- Operates their own business and issues invoices when completed
- Has more than one client
- Advertises their business services and is free to seek additional work in a relevant market
- Uses their own tools and supplies and expenses are generally unreimbursed
- Paid a flat fee or based on time and materials basis for the job

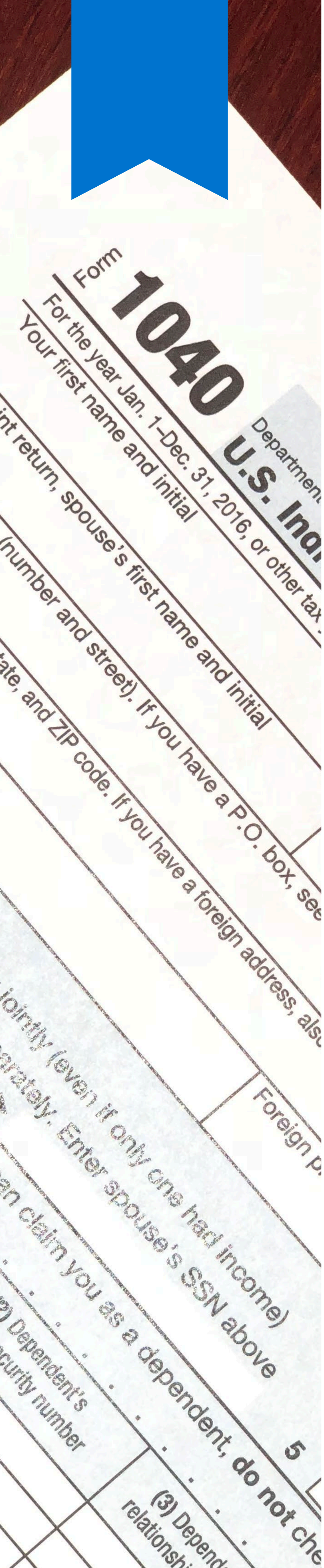
Employees

- When, where, and how to complete work is controlled by the business
- Usually trained to perform the services in a particular manner and order
- Uses the employer's supplies, tools, and facilities
- Paid a regular wage based on an hourly, weekly, or other period of time
- The relationship is expected to continue indefinitely
- Paid employee-type benefits, such as insurance and retirement

Improperly classifying a worker can be a costly mistake for a business. Incorrectly classifying an independent contractor as an employee results in a business unnecessarily paying employment taxes and employee benefits when not required to do such. Incorrectly classifying an employee as an independent contractor could result in the business being liable for both the employer and employee's portion of employment taxes and withholdings, as well as any possible employee benefits or underpaid wages including overtime or minimum wages. When in doubt on how to classify the worker, the conservative approach is to issue them a W-2 as an employee and pay all applicable employment taxes.

Documentation can be very important if an issue arises and the classification is challenged. It is a good idea to have a written contract in place, although even if noted that the individual is an independent contractor, that alone is not enough to make the determination. It is also important to keep records of when the worker was present, how the worker was paid, and whose supplies were used.

If you need additional help determining which classification is proper for temporary workers, please contact your Blue & Co. representative to provide the facts with your particular situation.



All the Tax Facts

A summary of important figures to know for the 2018 Tax Season

Single Taxpayers

If Taxable Income is Over	But Not Over	Tax Is	Plus	Of the Amount Over
$0	$9,525	10%		$0
$9,526	$38,700	$952.50	12%	$9,525
$38,701	$82,500	$4,453.50	22%	$38,700
$82,501	$157,500	$14,089.50	24%	$82,500
$157,501	$200,000	$32,089.50	32%	$157,500
$200,001	$500,000	$45,689.50	35%	$200,000
$500,001		$150,689.50	37%	$500,000

Married Taxpayers Filing Joint Returns and Surviving Spouses

If Taxable Income is Over	But Not Over	Tax Is	Plus	Of the Amount Over
$0	$19,050	10%		$0
$19,051	$77,400	$1,905.00	12%	$19,050
$77,401	$165,000	$8,907.00	22%	$77,400
$165,001	$315,000	$28,179.00	24%	$165,000
$315,001	$400,000	$64,179.00	32%	$315,000
$400,001	$600,000	$91,379.00	35%	$400,000
$600,001		$161,379.00	37%	$600,000

Don’t Forget Medicare Taxes and Payroll Updates!

- The .9% Medicare surtax on wages and SE income over $200,000 (single) and $250,000 (MFJ)
- Social Security Wage Base: $128,400
    - Increased from $127,200 in 2017

Changes for Individuals in 2018

- Standard Deduction:
  - Single: $12,000
  - Joint filers & surviving spouses: $24,000
  - Head of household: $18,000
- IRC Section 179 expense increased to $1,000,000.
- Itemized deductions for state and local taxes and income, sales, and property taxes are limited to $10,000 (single and MFJ)
- "PEASE limitation" which reduced itemized deductions has been repealed
- Interest paid on home equity lines of credit is no longer deductible
- Withdrawals from 529 plans can now be used to pay for elementary or secondary private or public school tuition – up to $10,000 per year per student.
- Alternative minimum tax (AMT) exemption amounts were increased to $70,300 (single) and $109,400 (MFJ)

Credits

- Child: $2,000 per qualifying child under 17 who is the taxpayer's dependent. Phases out starting with modified AGI above $110,000 (single) and $400,000 (MFJ)
- Child and dependent care: 35% of employment-related expenses (up to $3,000 in expenses for one qualifying individual or $6,000 for two or more qualifying individuals); Credit decreases by 1% for each $2,000 of AGI over $15,000, down to 20%

Gift and Estate

- Per-donee annual gift tax exclusion: $15,000
- Exclusion for gifts to noncitizen spouses: $152,000
- Gift/Estate tax exclusion: $10 million, indexed for inflation occurring after 2011

Retirement Plans

- Maximum 401(k) plan elective deferral: $18,500 (plus $6,000 catch-up for age 50)
- Defined contribution plan contribution limit: Lesser of $55,000 or 25% of compensation
- IRA contribution limit: $5,500 (plus $1,000 catch-up for age 50)
- IRA deduction phase out: Modified AGI from $101,000 - $121,000 (married taxpayers filing jointly); $63,000 to $73,000 (single taxpayers); $189,000 to $199,000 (nonactive participant whose spouse is an active plan participant)
- Roth IRA contribution limit: $5,500 (plus $1,000 catch-up for age 50)
- Roth IRA contribution limit phase out (Modified AGI):
  - $189,000 to $199,000 (MFJ)
  - $120,000 to $135,000 (single and head of household)
- Simple contribution limit: $12,500 (plus $3,000 catch-up for age 50)

Standard Mileage Rates

Use	Jan. 1 - Dec. 31
Business	54.5¢
Medical and Moving	18¢
Charitable Services	14¢

Participate in our 2018 Dental Survey.

Every two years we publish a new Dental Survey with data from clients like you. Our next survey will be published at the end of 2018, and we would love for you to participate. Contact Angie Zirkelbach at azirkelbach@blueandco.com for more details.

100 accountingTODAY TOP 100 FIRMS

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INSIDE PUBLIC ACCOUNTING TOP 100 FIRMS 2017

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