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To comply with certain U.S. Treasury regulations, we inform you that any federal tax advice contained in this Newsletter is not a covered opinion as described in Treasury Department Circular 230 and therefore cannot be relied upon to avoid any tax penalties or to support the promotion or marketing of any federal tax transactions.

Panama Seminar Dec. 27, 2017 - Jan. 2, 2018: We are in the early stages of planning a possible year-end seminar in Panama, which is now on the approved list for deductible foreign seminars. We did this trip eight years ago and everyone had a great time. It would include three nights in a rain forest hotel followed by three nights at the top-ranked Westin on the beach in Panama City. The price would be $2,245 per adult (less for children), which includes all breakfasts, transfers, two tours opening and closing dinners and more. It's a great way to celebrate New Year's Eve as the hotel puts on quite a party. If there is sufficient interest, we will pursue this seminar. If interested, please call our office by February 28. We will require a non-refundable $500 good faith deposit if we go ahead with the meeting.

Equipment Purchases Up To $2,500 Per Item Can be Expensed Like Office Supplies Thanks to the IRS's "De Minimis Safe Harbor" Rule: Under IRS regulation 1.263(a)-1(f), if you make a special election then you can elect to expense small equipment purchases rather than use Section 179 or depreciate them over time and carry them on your books. Under IRS regulation 1.263(a)-1(f), if you do not have audited financial statements (most practices don't) then you can establish a policy of expensing any item up to $2,500 per unit. If your CPA audits your financial statements, then the limit rises to $5,000.

Say, for example, that you purchase 6 new office computers each costing $2,000 plus $160 in sales tax and $100 in delivery and set-up fees, or $2,260 total. Without the special election, you would have to expense the $13,560 ($2,260 x 6) under Section 179 or depreciate them over time. Either way, you would have to keep track of these on your depreciation schedule until you eventually dispose of them. But with the special safe harbor election, you can expense them like supplies, get these assets off your books forever and greatly simplify your tax records.

The IRS states that the election must be in place as of the first day of the year. Consider using the following language for a corporate or company resolution adopted by the directors or managers:

"UNANIMOUS WRITTEN CONSENT OF THE [BOARD OF DIRECTORS] [MANAGERS] OF [COMPANY NAME]

The undersigned, being all of the [members of the board of

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directors] [managers] of [Company Name] hereby adopt and approve the following resolutions, to be effective as of January 1, 2017:

RESOLVED, that for both tax and book purposes, the company expenses assets costing $2,500 or less on a per-invoice or per-invoice-listed-item basis.

IN WITNESS WHEREOF, the undersigned, being all of the [directors][managers] of the Company, hereby indicate in writing their approval and consent to the foregoing resolutions.

Dated as of: January 1, 2017

*x*________________________

[Names and Signatures of all corporate directors/ LLC managers]"

Each year, this resolution must be updated if you want to keep the policy in place (which you should). Also, you will be required each year to notify the IRS that you've made this expensing election. So, discuss this with your accountant. He or she will have to attach a statement to the practice tax return titled "Section 1.263(a)-1(f) De Minimis Safe Harbor Election."

A Practice Seller's Job is to Make Sure His or Her Successor is a Success: To most of us, our practices are like another child. We want it to continue to prosper. We want our former patients to be pleased with the successor we've selected. If we pick a good person and if we are fair to that person, the odds are enormously high that the buyer will succeed and we will be satisfied. That starts with a sale transaction that is fair to both sides. After the sale, it means that Dr. Seller is available to answer questions and to be supportive in any way reasonably possible.

It is true that some (fortunately very few) practice buyers behave foolishly (usually from inexperience, immaturity or insecurity) and fail to understand the value of retaining their seller's respect, cooperation and goodwill. They should seek the reflected glory of their sellers who, after all, are the people whom all of the patients originally came to see and still respect. But by being disrespectful or by mistreating Dr. Seller in some way, they forfeit that.

It is also true that some (even fewer) practice sellers who continue working in the practice behave foolishly. Perhaps they cannot give up control. It's one thing to discuss differences of opinion respectfully and in private with their buyers. It's another to complain in front of staff, "That isn't the way I would do it." Or to listen to staff complaints and then promise to take up their position with the new practice owner. The key is to remember that a practice seller's job is to make the successor a success.

Practice Buyers Also Need the Support of the Seller's Staff: It's amazing how some practice buyers can mess up a terrific opportunity by alienating his or her new employees. A practice sale is usually a traumatic event for staff, some of whom may have worked with Dr. Seller for decades. Employees are nervous about how they will be treated and whether they will retain their jobs. The new doctor is also understandably anxious. Before a transfer, the buyer and seller should privately review each employee's strengths, weaknesses, personality, etc. Then the buyer can avoid alienating employees and losing them. In most communities, good employees can easily move to another practice.

Most won't want to leave. But they naturally are looking for early signs as to whether this practice will continue to be a good place to work. Treating staff with respect is critical. Too many young, inexperienced doctors come out of their training so full of themselves ("I'm a doctor and you're not") that they fail to grasp the importance of the right staff. Having the right people surrounding us permits us to accomplish things we could not otherwise accomplish and with much greater ease and enjoyment.

Practice Buyers Should Try to Keep as Many Things the Same as Possible at the Beginning: If I bought a practice, I would want the office to look the same, sound the same, smell the same, etc. The only thing different would be the doctor. Stability is the key during a transition. I'd wait to redecorate. I'd live with old equipment for a while before upgrading. I'd do everything I could to retain the seller's staff - especially the front desk staff. A true horror story:

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I received a call from my client, Dr. Seller, a week before his practice was to be sold. He told me that his buyer was planning to fire his longtime, excellent receptionist right after the sale and replace her with the buyer's wife's sister. Dr. Seller had explained why that would be unwise, but the young buyer said that he did not have a choice. I cringed. I felt sorry for that young man for two reasons (one professional and one marital).

Sometimes a Seller Has Some Long-Term Employees Who Intend to Retire When Dr. Seller Retires: If I were a buyer, I'd ask Dr. Seller to request those employees to remain with me through a transition and help hire and train their successors. If I were the seller, I would gladly ask them to help me make Dr. Buyer a success by remaining with the practice. I would also likely share some of my practice sale proceeds with my staff as bonuses after the sale's closing -- perhaps a follow up bonus for those who remain with the new doctor for a designated length of time.

The Deadline for a 2016 IRA Contribution is April 18, 2017: April 15 falls on a Saturday this year. This would normally push the income tax filing deadline (and prior year's IRA contribution deadline) to Monday, April 17. However, that's Emancipation Day, and federal government offices will be closed, reopening on Tuesday the 18th. A deductible IRA contribution will still lower your tax bill for last year. A Roth IRA won't, but if you meet the five-year rule for keeping money in a Roth IRA account and then take distributions after age 59-1/2, then all distributions, including tax-deferred growth, will be tax-free. The contribution limits for 2016 are $5,500 or $6,500 if you reached age 50 by the end of last year.

Some technical rules: For 2016, your **deductible** contribution to a **traditional** IRA phases out if you participated in a practice retirement plan and earned gross income between $61,000 and $71,000, if single, and $98,000 to $118,000, if married filing a joint tax return. If only one spouse participates in a company retirement plan, then the couple's income phase-out range for the other spouse to make a deductible IRA contribution is $184,000 to $194,000.

Your Roth IRA contribution phases out if gross income is between $117,000 and $132,000, if single, and $184,000 and $194,000, if married. Whether or not you also participated in a practice retirement plan is irrelevant when it comes to the Roth IRA.

If the above restrictions prevent you from doing both, you can **always** make a **non-deductible** contribution to a **traditional** IRA. This is a smart strategy if you plan to make an immediate Roth IRA "conversion" of this after-tax contribution -- the so-called "back door" Roth IRA. We love the concept as a way to move money from a traditional IRA to a Roth IRA and hedge our bets against the possibility of higher tax rates in the future. But, we would not be making these non-deductible IRA contributions and immediate Roth conversions if we already had large traditional IRAs. This is the "cream in the coffee" problem and it defeats the purpose of the back door Roth IRA.

Also note that if you are married **and only one spouse is earning an income**, then that spouse can provide the funds to contribute to **both spouse's** IRAs. The only requirement is that the earned income must at least be equal to the joint contributions.

Finally, make sure you stipulate that this is a contribution for 2016. Since it is being made in 2017, your broker will assume it's for the current year. You must be sure that they know you mean to make a 2016 contribution so you can preserve your ability to contribute for 2017 when the time comes.

Contributing to IRAs and Retirement Plans After Age 70-1/2: Yes, required minimum distributions (RMDs) must start at this point, but these distributions will be tiny and the retirement accounts will grow **tremendously** over your remaining lifetime, your spouse's remaining lifetime and your children's remaining lifetimes if you and they strive to take only the minimum distributions required under the tax laws.

So, contributing to a retirement plan after age 70-1/2 makes sense if (1) you continue to receive the lion's share of the benefit and (2) you don't have any better use for the money. Spending on what makes you and your spouse

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happy (travel, a new vacation home, etc.) is definitely a better use for the money and we'd scale back the retirement savings if we were already comfortable. But, if we would just be paying tax on the money and investing it anyway, then continuing to save in some tax-advantaged plan would definitely be our preference.

Starting in the year you turn 70-1/2, you **cannot** contribute to a **traditional IRA** whether or not you'd be making a deductible or non-deductible contribution. You can, however, continue contributing to a Roth IRA, SIMPLE IRA, SEP IRA, profit sharing/401(k), and in some cases even a defined benefit plan. And where the practice owner isn't looking to save as much as before, but still wants to save something, the SIMPLE IRA, with its reduced contribution limit of $12,500 per person, may look attractive at this stage.

Why no traditional IRA after 70-1/2 when all of these other options are permitted? There is no good answer. These rules are unnecessarily complex and sometimes quite irrational.

Under President Trump, the April 10 Start Date for the Labor Department's New Fiduciary Rule is Likely to be Delayed and Ultimately Discarded: The new rule would impose a fiduciary standard on investment advisors to select investments that are in the client's best interests and not merely "suitable" for the client. In some ways this would be an improvement. Advisors would stop selling annuities and mutual funds with big annual expenses and front-end loads. But, the early indications were perhaps worse, as brokerage firms have tried to comply with the new fiduciary standard by forcing their clients out of the traditional commission-based model and into a fee-based model.

For clients who don't buy annuities and expensive actively managed mutual funds, this has been an unwelcome change. Rather than paying commissions for each individual trade, these clients would be forced into managed accounts that charge a fee based on the size of the account.

Parents Cannot Deduct the Interest if They Repay a Child's Student Loans: To be deductible, the parent would have also had to be legally liable for the loan repayment. However, even if the parents make the repayment, the child can still claim the deduction. The tax laws treat the parent as gifting the money to the child and the child then paying off the loan. The child cannot be claimed as a dependent on the parents' tax return. The maximum deduction for student loan interest is $2,500 per year, and phases out as the child's gross income exceeds $65,000, if single, and $135,000, if married.

Verizon Wireless is Once Again Offering Unlimited Data Plans: Apparently, Verizon is succumbing to competition from T-Mobile and Sprint which both offer this popular option. AT&T does too, but only if you also sign up for DirecTV. Verizon is charging $80 per month for accounts with one phone line, which is only $10 more than Verizon's 4 gigabyte data plan. The price for unlimited data rises to $180 per month if you have four lines on your account. This is slightly higher than T-Mobile and Sprint, but gives access to the superior Verizon cellular network. If you find yourself going over your data limit, something that's all too easy to do if you have teenagers on your plan, then this is well worth considering.

The IRS is Unlikely to Challenge a Doctor's Cell Phone Deductions: If the phone is provided for "business purposes" such as needing to be reachable by patients or the office, then the employer can deduct the entire cell phone bill and the employee does not have to recognize the value of the benefit in his or her taxable income. (See IRS Notice 2011-72). The same applies if the employer reimburses the employee who uses his or her personal phone for business purposes.

Two key points: (1) no records of usage need to be kept, and (2) the IRS will treat the value of personal calls made on that phone as excludable from the employee's income as a "de minimis" fringe benefit. The business purpose test should be easily met for the doctor who takes emergency phone calls on his or her phone. Depending on your risk tolerance, the practice might deduct the entire family's cell phone bills. They too may need to be reached on a moment's notice to deal with practice emergencies.

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