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COLLIER & ASSOCIATES

I N C O R P O R A T E D

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Exciting Additions to Upcoming Aggressive Business, Tax and Practice Management Seminars:

ASHEVILLE, NC (May 19-21): Michael Boulegeris of Boulegeris Investments, Inc. Many of you have heard Mike at our two-day Advanced Investment seminars. In Asheville, he will address the anticipated normalization of interest rates, the ongoing revolution in pharmaceuticals and will identify specific sectors and individual companies that should thrive going forward.

BAR HARBOR, ME (September 8-10): Donald P. Lewis, D.D.S. Don is the nation's foremost expert on employee fraud in the dental office, and he puts on a show. He will give attendees proven internal controls to safeguard their practices and will explain, with real-world examples, how employees steal, how to recognize potential embezzlement, and a step-by-step action plan for prevention and prosecution.

Call our special seminar line at (888) 888-4840 or visit www.CollierAdvisors.com to register for one or both of these upcoming tax-deductible seminars.

Can You Deduct the Value of Professional Courtesy Treatment? No. You are already deducting the cost of supplies, labor, and other resources devoted to treating the patient. You cannot also deduct the income you have foregone by not (or under) charging.

Are You Better Off Renting or Owning Your Office? Doctors who practice in suburban or rural areas often own (or own an interest in) their offices. When I take surveys of those who have owned for more than five years, less than 1% say they wish they hadn't. From that, it's easy to conclude that as long as we do not over-pay to buy or build, chances are high that we will be pleased in the long-term by owning rather than renting our office space. The advantages include: not having a landlord raising the rent every few years, not having to ask permission to make changes, being in greater control of your practice's destiny, and having an asset that could grow in value over time.

Saving Tax on the Sale of a Business Vehicle: We will pay tax if the sale price exceeds the vehicle's adjusted basis at the time of the sale. Think of your "basis" as your purchase price, and the "adjusted" basis as the price reduced for depreciation. In this era of large depreciation deductions for heavy SUV's (those weighing over 6,000 pounds), you may have a large built-in gain

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on the sale. This tax can be **delayed** by trading the vehicle in for a new one. A vehicle trade-in is a tax-free “1031 exchange.”

Assume you purchased a large SUV for \$65,000 and six years later its value is \$30,000 and its adjusted basis is \$0. If you sell it, you pay tax on the \$35,000 gain. If you trade it in for a new vehicle (which could be another SUV or even a sedan or convertible) and the new vehicle costs \$50,000, your new basis is \$20,000, which is the additional cash needed to purchase it. **Your basis in the new vehicle is reduced by the remaining basis in the old one**, which delays the tax until the **last** vehicle is disposed of years later.

If we don't trade in our cars because of the lousy deals we get from car dealers, we can still do a 1031 tax-free exchange through a “1031 intermediary.” The intermediary will provide the sale documentation that conforms with the requirements of the tax code and charge \$500-\$600 for their services. Some other requirements: the new car has to be **identified** within **45 days** after the sale of the original one, and the new vehicle must be **purchased** within **180 days** after the sale of the first one. To find an intermediary, Google “1031 intermediary cars trucks fees.”

If, on the other hand, we have a vehicle with a **built-in loss**, then we will want to sell it and claim the loss deduction.

Preventing Your Office's Website from Getting Hacked: At our recent Crested Butte ski seminar, one of the doctor attendees described a horrific situation that befell one of her pediatric dentist colleagues. The poor doctor's website was hacked. The hackers filled it with pornographic images, changed the login and passwords, and then extorted her for tens of thousands of dollars. As you can imagine, she is distraught trying to figure out how to deal with this.

Preventing a website hack means more than just having a strong password to logon to our website. Hackers usually don't gain access by using passwords. Instead, they scour the internet for websites that are vulnerable and can be exploited. Most sites are designed with WordPress software. The software is continually being updated. The hackers are looking for older

versions that may not have been updated recently. There will be computer code in that earlier version that contains a security vulnerability which the hackers can exploit. If you're unlucky and are using this version, you are more at risk.

After Speaking With Our IT Consultant, Here Are the Key Steps to Take to Help Prevent a Hack:

First, Make Sure Your Website is Backed Up Each Day: Most service providers (e.g., GoDaddy or HostGator) offer free daily backup. Even if your site is hacked and passwords are changed, the service provider can restore the site to the latest backup before the breach. At this point, go in and reset your login and password to be extra safe.

Second, Make Sure WordPress is Continually Updated for the Latest Version of the Software: This can be done automatically or manually, but it must be done.

Third, Always Have Control of Your Domain Name: Your domain name is the address of your website. If you don't have control over your domain name, then you don't have control over your website and you're at greater risk of a breach. If you're unsure of who owns your domain name, go to networksolutions.com/whois, type in your domain and see who comes up as the owner. If it isn't you, it may be your website designer. Contact them and have them assist you in transferring it back to you. Reset your login and password. Should they need access to your website to make updates, they can request access from you as needed.

Finally, when it comes to setting passwords for both your website and domain, use something unique that does not contain traditional words or names of family members. An even more secure alternative is to use a random password generator such as passwordsgenerator.net and change it regularly.

Questionable Medical Expense Reimbursement Plans Promotions: We are aware of certain companies that are still promoting these plans to dental practices where the employees getting plan reimbursements have individual health insurance policies. These

companies' business models (managing MERP payments for employers) suffered a fatal blow in 2013 when the IRS and HHS issued regulations ending this practice. The continued promotion strikes us as willful ignorance of the new rules.

Caveat emptor!

As discussed in the January 15, 2016 Newsletter, the MERP concept **remains valid** where the employees being reimbursed are covered under a group insurance plan. **If you still use the MERP, it should be amended to specifically exclude employees with individual insurance.** It is also permitted in the rare case of a one employee business even where that employee has individual health insurance.

Protecting a Sole Practitioner's Practice When the Doctor Dies or Becomes Permanently Disabled: After a doctor's death or disability, an important step is for the family to bring in a doctor to treat patients and to help keep the practice viable. There has been a long honorable tradition of selfless doctors who step in and help a downed-colleague's family in its moment of need. A local society's or a study club's or even a one-to-one coverage agreement is a sensible pre-arranged self-help method for this kind of assistance.

But There Are Also Stories of Doctor Families Who Have Been Victimized: Such as the young doctor from out of town who expressed an interest in buying a deceased doctor's practice and offered to start treating patients immediately while the negotiations proceeded and the sale contracts were being prepared. The family knew it needed a doctor in the office to keep patients from drifting away and felt it could not push too hard. Eventually, the "buyer" declined to buy, opened his own office nearby, and many of the patients followed him. The family was left with a grossly devalued practice.

When a potential buyer starts working without a binding sale contract, the bargaining power of the disabled doctor or the deceased doctor's family shrinks fast. If a fast sale contract cannot be signed before a doctor starts working, some precautions I would take are:

1. When the Worker is from out of Town: Even when he or she is to be the buyer and negotiations are underway, a simple employment

contract with a covenant not to compete is crucial. The family's insistence on this is reasonable and its bargaining position is stronger before the doctor starts the work. If the potential buyer is hesitant to sign a simple employment contract and reasonable covenant not to compete before starting, that is a terrible danger sign one ignores at one's peril.

2. When the Worker is a Local Doctor or if the Covering Doctors are Participants in a Local Group's Coverage Agreement: A full covenant not to compete (i.e., won't practice in the area) isn't practical, but the contract should state that, subject to ethical requirements, the worker(s) will not treat the practice's patients anywhere but at the practice's location(s).

These are practice transition issues we deal with routinely in our law practice. If any of these situations apply to you, feel free to call our office to discuss.

As Long As I'm On That Subject. . . Can It Make Sense to Reduce or Eliminate Disability Insurance While Still Practicing? Two answers - maybe and no. Consider these two different situations:

Disability Income Insurance: This is the traditional monthly insurance that covers the risk of long term disability and pays to a designated date such as to age 65. Like all insurance, I buy this because there is a risk I cannot afford to cover myself. In this case the risk I worry about is that an accident or illness will make me stop working while I still need my income. I would consider reducing or canceling this insurance upon becoming wealthy enough to retire.

Disability Office Overhead Insurance: This is the short-term insurance that pays a monthly amount up to the office's monthly overhead. It is designed to cover the costs of keeping the office running while you are disabled. This is cheap insurance because it pays for 12 or 24 months. No matter how wealthy I became, I would not cancel this insurance. If I had a non-permanent disability, paying the office overhead out of my pocket would be such a terribly unpleasant experience that it might drive me out of practice prematurely. This insurance is needed in both solo and group practices.

Guerrilla Warfare with Hotels: The next two items contain simple but useful tips we have learned the hard way.

1. Before Unpacking, Conduct a Systems Check Of The Room: Check the TV, heater, air conditioner, etc. Listen for elevators, kids or other noises that will keep you up. Run the hot and cold water. Check the view. Lay on the bed. The idea is you would like to discover all problems before you unpack so that the drudgery of repacking will not keep you from switching to another room.

2. ALWAYS Ask For a Preliminary Print-Out of Your Bill Well in Advance of Checking Out: Each hotel has a night auditor with the job of assigning charges to the proper room. Sometimes they make mistakes. Sometimes they can't read the writing but, since the books must be balanced by dawn, they guess or pick a room with plenty of charges so that one more might be missed. If you wait until checkout to review your bill, there is little you can do about questionable items when the desk clerk says it will take a half hour to retrieve the charge slip and you will miss your plane if you wait another 10 minutes. By getting a preliminary copy of the bill the day before checking out, you have time to review and dispute questionable charges. Hotels are gracious about removing incorrect charges when you show them the charge slip wasn't yours. After all, it goes back to the night auditor to be reassigned to some other unsuspecting guest.

Flight Delay Self-Defense Techniques: Flight delays and cancellations seem to have become the norm. Here are some ideas learned from experience.

1. Never Book the Last Flight that Can Get You to Your Destination on Time: As a general rule, fly earlier in the day rather than later. Later-in-the-day flights are more likely to be delayed due to crew overtime limitations, and there are fewer alternatives when a later-in-the-day flight is canceled. Always have at least one flight leaving after yours that will still get you there on time. If getting to your destination late would be a crisis (e.g., if you are connecting to a cruise ship or to a foreign flight), start the day before and spend the night in your connection city.

2. If Your Flight is Canceled (or Delayed So Long That You Suspect it Will Ultimately be Canceled), Take Action Instead Of Waiting Around With Everyone Else: While waiting, call the reservation department of your airline and book a flight on the next flight out. Have that as a contingency back-up plan. If the flight is delayed, everyone on your plane will be trying to book a seat on that flight. A cell phone is an ideal tool for these situations. You can be calling without giving up your place in line as you seek information from the gate attendant.

3. Make Sure You Have a Seat Assignment: Even if they tell you that you have a confirmed reservation, that means little if the flight has been over-booked and you do not have a seat assignment. The airlines keep a significant number of seats unassigned until the last moment in case last-minute business (high paying) passengers want to get on the flight, as well as to gate agent flexibility. If you cannot get an advance seat assignment, get to the gate early to be ahead of the others in your tenuous position. If you accept a free "bump" ticket to give up your seat on an overbooked flight, do not believe (without checking) the gate agent who says you have been re-booked on the next flight(s) to your destination. That could be the truth - but not the whole truth. If they booked you on an already over-booked flight and did not get you seat assignments, you may be bumped off the later flights. Before finally accepting the gate agent's offer, call the airline's toll-free number to independently confirm your reservation and seat assignments.

4. The Worst Seat on a Non-Stop Flight Beats the Best Seat on One That Makes You Change Planes: Changing planes doubles the odds of trouble.

5. A Final Thought: If your travel gets fouled up, do not get belligerent with the airline personnel. They are the people who can find ways to either silently sabotage your plans or try extraordinary things to help you. Do not go ballistic. Be philosophical about the problem. If you let it get you down, you lose twice. Good luck.