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Ash: Hello, and welcome to another episode of Beyond Bitewings. My name's Ash and within the studio we have Robert.

Robert: Good afternoon.

Ash: Hi Robert. How's it going?

Robert: It's going pretty well considering the topic we're gonna be talking about.

Ash: I know, its... Oh yes. Oh, you gave it away, but yeah, you're absolutely right. Today's episode, we will be talking about basically addressing the question. Are my tax rates going up?

Robert: Well, you know taxes are everybody's favorite topic, right?

Ash: Absolutely. I just love talking about it every day.

Robert: You know, this is where I need a soundtrack, where everybody starts laughing, right? But as far as tax rates. You know that's a question we got near year end from all of our clients. You know, it wasn't really, are my rates going up? It was, how much are my rates going to go up? And the Congress is still considering the Buyback Better Act or Build Back Better Act. They've been considering that for a couple of months now. Here we are, the middle of January. They still have not passed the bill. The question is, will it pass? And there seems to be some real humbling blocks to getting it passed in its present form. But, I don't think there's a person out there in this profession that thinks that, taxes are gonna go any lower. And I think pretty much 100% of us think that taxes are gonna go higher. The question is, when? And if they something now, is it gonna be retroactive to January 1st? And then back to your question. How much is the increase gonna be? And we don't know the answer to any of those things. Although, I would think that if they pass anything in the next month or two or maybe three, it will be retroactive to January 1st. As far as ordinary tax rates, I think they'll increase this year a minimum of basically 3%, 2.6%. And it could be higher than that. Capital gains rates were originally scheduled to increase from 20 to 28%. Don't know that that's gonna happen now. Seems like Congress has kind of shot that down, which is a good thing for most of our clients that are selling assets, selling practices.

Ash: Absolutely.

Robert: And those that trade in stocks and other things like crypto. So that's a good thing. If capital gains rate doesn't increase, we just don't know though when, or if Congress is gonna get around to passing this bill. They're taking a vote on it, maybe Thursday of this week. And we'll see after that, what happens. So by the end of January, we may have some more

clarification of what's going on with taxes and tax rates. But I can say that I would expect everyone to pay higher taxes in 2022 on this same income that you made in 2021.

Ash: And if the changes will be applied retroactively, then would you say that our listeners should maybe wait till this decision has been made before they file their taxes?

Robert: Well, I think it's only gonna be retroactive to January 1st of 2022. I don't expect it to be retroactive to 21. So anything the clients do now should not affect their taxes for 2021. No reason to wait on filing returns. In fact, I would encourage the clients to get their data in and get the taxes done sooner rather than later. So we can get 21 behind us and start preparing for 22.

Ash: All right. And then it's interesting that you also mentioned investing in other things like crypto.

Robert: Well, that seems to be a hot topic right now. Six months ago on, I don't know that I had heard from many of our clients that they were trading crypto. And in the second half of last year, I don't know if everyone got a conscience or what? They decided to tell us that they were actually trading, actively trading crypto. And gee, should I report that?

Ash: I know.

Robert: The answer is yes. And the IRS is certainly devoting some of their resources to working with the major platforms, to be sure that they are required to report the transactions to the government, to the IRS. So in the future, going forward, those transactions are gonna have to be reported. And it'll be just like a brokerage statement. You'll get a statement that shows, you know what you bought, what you sold, what you mind, whatever else you did with it. Some of those transactions are taxable. Some of them are not. And the reporting is gonna be more clear going forward. We don't know what it's gonna look like yet, but we know that the IRS are devoting enough resources to it. They acknowledge that it's a problem area. And I think they've devoted 2022 to clarification.

Ash: This field of crypto, it's not just about buying and selling something like Bitcoin. This is, more so, there's so many various vehicles of investing just today. Right before the recording, I was talking to a client about this specific contract in crypto called Ethereum node. And he was very curious to know how it's classified. 'Cause he said that, you know, it's something where you get a reward from, which I believe is taxable. However, I've been hearing from my other friends that the purchase of this Ethereum node can be expensed. From a reporting standpoint, How would we go about it? And again, as you mentioned earlier, you know it's just been the past six months that specifically our clients in our industry have gone so heavily involved with this, that hasn't given us enough time to look more into it or research more about this. But certainly, it's very interesting. And there's a lot of things to learn about it.

Robert: We have someone in the office, in our office that's an expert in crypto transactions. So, if anyone has a question about crypto transaction, then they can certainly get in touch with us. You wanna give 'em that information, how to do that. And we can certainly get them the answer to whatever question they may have.

Ash: Oh yeah, absolutely. And we do definitely have that person in the office. Who's very knowledgeable about this area. In fact, if I have questions, he's my first go to person. But, yeah. Right around the end of this episode, I'll be more than happy to share our contact information with our listeners. Yeah, I know I digressed a little bit. I know crypto is one of those things that we can talk about for a long time. But going back to our original topic. The tax rates, laws and the changes. Certain things that we may expect or better prepared for for this year. Is there anything else that you may want to add that may add value to our listeners?

Robert: Well, you know, the change in the tax laws this year is an unknown right now. We just, we do know there are gonna be some changes. And we know from what we've read of the proposed changes that there's gonna be more complications in preparing taxes, which is very frustrating for most of the clients and us as well. So it's gonna require some, probably more planning this year than any of the years prior, to be able to understand the taxes, and to be able to develop a strategy that minimizes what the clients owe. But we don't even know the rules yet. So we don't know how to get started. And we won't know that until Congress passes the Build Back Better Act

Ash: Right. But our clients can certainly or our listeners can certainly better prepare themselves. And that will help expedite the process. I mean, even without the Congress passing on the rules, they can certainly take certain steps that will allow them to make sure that their tax returns are being filed sooner than later.

Robert: And there are some reports that I believe that they're gonna be receiving from the IRS or from departments of the government, that they're gonna need to be sure they give those to their tax preparer as well. You wanna talk a little bit about those?

Ash: Yes, absolutely. So the number one thing that I can think of right now is, for our listeners that have received the stimulus in 2021, early 2021, you should have already received a letter from IRS confirming the amount that you received and when it was dispersed. You now this is something which is information. I know a lot of people probably just tucked it in some draw or with a bunch of paperwork. And they think this is not something that needs to be forwarded to the taxpayer, but it is. So make sure when you're sending your data to your taxpayer that you also include a copy of that letter in there.

Robert: When would they have received that letter, Ash?

Ash: Honestly, the time varies. I've seen certain clients that have received it by March. I've even heard some of my other clients that received it in June of 2021. So it varies. And if you haven't received it, maybe call them up and tell them, hey, my accountant's asking for a copy of this, can you send it to me? It's mostly that date and that amount that was received that we need need to look at or any tax preparer would need to look at.

Robert: So if they can't find a copy of the letter, because they got it either in, you know, March or sometime early by last year. Then is there somebody they can call to get a copy of the letter?

Ash: Absolutely. So when you Google just the stimulus payment, there is a contact information phone number there. You can definitely call them up. Worst case scenario, a lot of taxpayers

will be willing to also work with a copy of the bank statement where the money came in. 'Cause that will say that the money came in as stimulus, and it will also have a date attached to that transaction. Because it's honestly the date and the amount that the tax preparer is basically wanting when they file the tax return.

Robert: So on some of the bank statements, is it identified as a stimulus payment?

Ash: It will say something along the line of if I'm not mistaken something, they'll say, USA, IRS something. So I'm not gonna say the word stimulus, but something. But I'm sure if you've received the stimulus, you know how much you've received and you'll be able to see that real quick.

Robert: Okay, great.

Ash: On the deposit side of the statements. So that's one thing. The other thing is, if you're a business owner and you applied for the PPP loan, and specifically if you've applied for also the forgiveness after your covered period was over, you may have gotten two forms of correspondence. One from your lender, either of via an email or an actual physical letter. That stated that, oh we've successfully filed for your PPP loan forgiveness. The second that you may have received is, a letter. An actual physical letter from SBA, telling you that your loan has been forgiven and it will have the date of when it was forgiven, right? So it's gonna tell you, the principal amount that was forgiven along with the crude interest that was forgiven. So that letter from SBA is also something that you would like to send to your tax preparer. Because we need the date of when it was forgiven and the amount that was forgiven. I have seen in the past where for whatever reason, SBA, didn't forgive the whole amount. They only forgave the total amount minus the E ideal grant in one month. And then two months later, SBA would send out another letter stating that, oh, okay, the E ideal grant portion has also been forgiven along with the crude interest. So, if that's the case with you, where your first letter is only telling us that, just the total amount minus the E ideal grant amount was forgiven, then wait till you receive the second letter to send it to your tax preparer. So those are the two things that I can think of, off the top of my head that you would definitely expedite the process if you can get hold of before you actually start doing the tax preparing work

Robert: Well, and I know on the PPP loan forgiveness, a lot of clients that are filling those out, you know have asked me about where to get some of the numbers. And it became obvious to me that they were dealing with the original eight week period. And I've encouraged everyone to go to the 24 week period and use salary only. Because during the 24 week period, should be enough salary to 100% forgiveness of the full loan. And that way you don't have to provide near as much documentation for things other than salary, like rent, retirement plan payments, health insurance premiums, all those other things. So it just simplifies the process to the extent that that it's possible.

Ash: Oh yeah. That's also a great tip. Because I know exactly we you're talking about. So, you know, when this loan was first introduced, they also introduced this concept called allowable expenses. So basically those funds could only be used towards certain types of expenses. And, you know, initially that cover period, or at the time by which these funds would have to be utilized was very short. But then later, you know, over time with all the changes, it got extended to as much as 24 weeks. And then later I believe the people that were applying for the

forgiveness could actually choose which period to use. And yeah, 24 weeks is definitely what we also recommend for our clients to pick when they're applying for forgiveness. Because as Robert mentioned earlier, that will allow you to only use your payroll expense which is an allowable expense, to say that you've utilized fully those funds. And then you do qualify for forgiveness. That way you don't have to even show your records for the other allowable expenses to your lender or SBA or whoever may be asking for it. And you actually brought up a good point, Robert. You know, I'm glad you brought this up. Because PPP1, I know for the most part, most people have applied for the forgiveness. But we are at that time, where if you haven't applied for your PPP loan two forgiveness, definitely talk with your CPA tax payer before you file for the forgiveness. 'Cause we are at that stage now. I believe most of your clients who applied for this loan they're well past that covered period now, and they can definitely go ahead and apply for that forgiveness. So look into that. And the reason why I mentioned talk with your tax advisor or CPA before you actually file for the forgiveness is because, there was this other type of COVID relief option called ERC credit, right? And that credit will be dependent upon when you filed for the forgiveness and how you went about, especially if you're a multiple practice owner. This is something that your CPA would be more familiar with. So definitely talk with your CPA about the forgiveness before you apply for it, and see if that would jeopardize the ERC credit that you may or may not be eligible for. But communication is key here. Just make sure everybody's in the same loop before you go about this.

Robert: Well, and the ERC does affect the PPP forgiveness or vice versa. So it's important that you coordinate the preparation of both of those, the employee retention credit with the PPP forgiveness as well to get the maximum benefit.

Ash: Absolutely. And the ERC create honestly, Robert, I've seen a few of those calculations. It is no joke. It is very complicated. Even for us professionals. There's just multiple ways of going about that calculation. And the one that seems to benefit our client the most happens to be the most complicated version of the calculation-

Robert: Of course I would expect nothing less.

Ash: Yeah, yeah. It is very complicated. And you know a lot of times you have these payroll service providers. So let's say, you know, you're using ADP or paychecks. They'll reach out to you and tell you that, oh, they can do this. They have these special reports that will allow you to figure out the ERC credit yourself. But there are other factors that also go into this, and there's no way a payroll service provider would be able to calculate those numbers, because they don't have access to your financials.

Robert: Right.

Ash: So definitely, definitely keep in touch with your CPA or your tax advisor. They should be more knowledgeable about this, and they'll be able to get you the correct ERC amount that you deserve. And if you don't have someone that you work with that can help you with this, we'll be more than happy to take a look at that ERC credit portion or even the PPP forgiveness portion.

Robert: Give them the information on how to get in touch with us now.

Ash: Oh yeah, absolutely. So regarding this or anything else, feel free to reach out to us at info, that's I-N-F-O @eandassociates.com. And the and is actually spelled out, A-N-D. And we'll be more than happy to answer your questions.

Robert: Sounds great. Thanks for the podcast information this afternoon, and get in touch with us if you have questions.

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