

# Dental Services Practice Financial Check-Up : *for you*

March, 2010

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 **elliott davis** : *for you*



## *Financial Check-Up: for you*

April 15<sup>th</sup> is fast approaching. With the right amount of preparation, you should have a firm estimate of what to expect on Tax Day. If you have not prepared, it's not too late.

If you have received word of a large balance due, do not panic. Let us take a second look. There are steps to take, even at this late date, that could reduce your tax burden. Have you fully funded your retirement account? Have you made the correct decisions regarding

depreciation? Is your information presented properly on your tax return?

While taxes are on your mind, now is a good time to seriously consider a possible Roth IRA conversion. Shanna Morales lays out the important points below. Theresa Kaake follows with some good bookkeeping information. As always, we hope you enjoy this issue of our newsletter and we wish you a great spring!

*Bo Elliot*

## In the News: Roth IRA Conversions

By: Shanna Morales

The new 2010 Roth IRA conversion rules have been a topic of interest for many people this year. Recently, the IRS eliminated the modified adjusted gross income and filing status requirements for converting a traditional IRA (Individual retirement account or arrangement) to a Roth IRA—causing people to question what to do next.

A few items to consider if you decide to convert your traditional IRA to a Roth IRA:

1. Tax rates may increase—consider today's tax rates versus rates at retirement.
2. The taxpayer should pay the tax on the conversion out of non-IRA assets.
3. Estimate the amount of time until you will begin to withdraw the funds—the longer, the better.

A Roth IRA is a retirement plan vessel that has the same rules as a traditional IRA except the contribution is non-deductible, and in certain circumstances, distributions are tax free (distributions are generally tax free up to the contribution "basis" amounts). Once the participant's distributions exceed contributions, the distributions could be taxable depending on age, length of time in the investment, and the use of the distribution.

In addition, the IRS is allowing taxpayers the opportunity to pay the tax on these rollover amounts in equal parts during 2011 and 2012 (IRS Publication 590). The portion of the rollover amounts that would be taxable are the amounts that exceed the taxpayers non-deductible contributions. Historically, these amounts would have been reported on Form 8606, "Nondeductible IRAs." You will need to make sure you record the amounts for non-deductible IRA contributions correctly on your Form 8606 for your 2009 tax return.

It is important to weigh the advantages and disadvantages of converting a traditional IRA to a Roth IRA before making a final decision. Elliott Davis team members can assist you with these conversions and other tax planning needs.

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## 2010 Saving and Retirement Account Limits

**401ks** — Deferrals \$16,500 or \$22,000 if over 50

**Traditional IRAs and Roth IRAs** — \$5,000 or \$6,000 if over 50

**Simple IRAs** — \$11,500 or \$14,000 if over 50

**HSAs** — Self-coverage \$3,050 or \$4,050 if over 55  
— Family coverage \$6,150 or \$7,150 if over 55

**FICA tax limit** — \$106,800 for a total of \$6,621.60 in tax



## Upcoming Events

**April 13, 2010**

Asheville Dental Study Club  
Asheville, NC

*Shanna Morales will be presenting at this event.*

**July 13—17, 2010**

McGill Resort Seminars  
Hot Springs, VA

*Bo Elliot will be speaking on July 13, 2010*

Please remember Bo Elliot, Susan Harris, and Shanna Morales are all available to speak to your study clubs.

## QuickBooks Q&A

### Question:

Dr. Teeth from New York asks, “What is the difference between a patient refund and a vendor refund?”

### Answer:

A patient refund is money returned to the patient or insurance provider. A vendor refund is money issued to the practice as a refund for goods or services.

When you write a patient refund check it should be recorded to an income contra account (usually called Patient Refund), thus reducing practice income.

When you deposit a refund from a vendor, you will want to record it back to the original expense. For example, if you receive a refund from Patterson Dental and the original expense was dental supplies; you will want to record the deposit to the dental supplies expense, thus off-setting the expense and not treating the deposit as additional income.

## Embezzlement Safeguard Tip

A signature stamp can be your worst enemy. Doctors should personally review and sign each check written from the practice checking account. Remember, your best defense is a good offense.

Please contact [Theresa Kaake](mailto:Theresa.Kaake@elliottdavis.com) CB, a QuickBooks Pro Advisor, at [tkaake@elliottdavis.com](mailto:tkaake@elliottdavis.com) with your QuickBooks questions.

### About us:

Since 1925, Elliott Davis, PLLC has been the accounting, tax and consulting services firm that provides our clients the solutions needed to achieve their objectives while offering our people rewarding opportunities. Today, Elliott Davis has more than 400 employees in 10 offices throughout the Southeast. Our Dental Services Practices assists dentists across the U.S. in making informed decision about their practices. From analyzing needs to developing and implementing solutions, our services include:

Accounting services	Financial management
Compliance	QuickBooks set-up and training
Cost reduction strategies	Tax return preparation
Entity structure planning	Tax planning

Our Dental Services Practice works closely with the McGill & Hill Group. A one-stop financial services resource providing transitions, tax and business planning, legal, accounting, investment advisory and retirement plan services exclusively for the dental profession. Elliott Davis is also a member of The Leading Edge Alliance, an international professional association of independently-owned accounting and consulting firms based in the U.S., and is strategically aligned with LEA Europe and LEA Asia Pacific, a worldwide network of more than 450 offices in 90 countries around the globe. For more information about Elliott Davis and its services, visit [www.elliottdavis.com](http://www.elliottdavis.com).



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