

Practice Success

Winter Newsletter
2011/2012



GRAY • PILGRIM
AND ASSOCIATES, LLC

Social Security Changes!

Monthly Social Security and Supplemental Security Income (SSI) benefits for more than 60 million Americans will increase 3.6 percent in 2012, the Social Security Administration announced.

The 3.6 percent cost-of-living adjustment (COLA) will begin with benefits that nearly 55 million Social Security beneficiaries receive in January 2012. Increased payments to more than 8 million SSI beneficiaries will begin on December 30, 2011.

Some other changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase from \$106,800 to \$110,100. Of the estimated 161 million workers who will pay Social Security taxes in 2012, about 10 million will pay higher taxes as a result of the increase in the taxable maximum.

Information about Medicare changes for 2012, when announced, will be available at www.Medicare.gov. For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums.

The Social Security Act provides for how the COLA is calculated. To read more, please visit www.socialsecurity.gov/cola.



HITECH Stimulus Payments

There are still a lot of questions about the HITECH Stimulus Payments. First, those eligible are physicians, dentists, nurse practitioners and physician assistants practicing in a rural health clinic or a Federally Qualified Health Clinic. Many other specialists such as chiropractors, radiologists, optometrists are also eligible. To be eligible, you must not be hospital based. Your patient volume must be comprised of at least 30% Medicaid patients or 20% for Medicaid patients for a pediatricians practice.

There are many resources out there to give you guidance and we can assist you in this as well. Just a note of caution though, there are many greedy and unscrupulous vendors out there who are charging exorbitant fees to help you get these credits or to just determine if you qualify. Please exercise caution.

A Letter From the Partners

As this year is rapidly coming to a close, it is a good time to take a little time to review how the year unfolded. What were both the high and low points of the year? Knowing those facts, analyze them to see how you could alleviate or mitigate the low points. For the high points, what could be done to create more of those highs? We will always have those low events, but we could dilute them by generating more highs. Taking the time to evaluate the year gives you some control over how this new year will develop. You will be happier if you can be at the helm opposed to simply hanging on and putting out fires constantly.

We are questioned more at this time of year than others about how you are doing compared to your colleagues. The economy certainly affected many practices and we keep hoping that we have seen the bottom and will begin a forward momentum. Overall those practices that were already at the helm, had a plan or were quicker to react and generally were able to offset downturns. Some practices were hit harder because of where they were in their debt repayment cycles and they didn't have as much control. There were others that did everything "right" and still saw less collections.

One thing that hit us was our own attitudes about the economy. We saw a presentation where the dentist asked individuals, what they would accept as payment to lose tooth number eight permanently. Pretend that you could never get an implant; you would go through life with that space empty. The responses were amazing – like they wouldn't take a million dollars for that tooth! While this certainly is an excessive example, think about how many people would pay well to keep their teeth intact and wish to have a nicer smile. We don't always tap into that because we make assumptions about the patients in the chair. Sometimes certain treatment options weren't discussed because you assume they cannot afford it. There are many patients that have the funds or could get the funds, but we have allowed them to not go forward because of our beliefs. Some dentists and staff spread the disaster by sounding desperate to their patients. Some had such negative attitudes that they really created the downturn themselves by believing in it and buying into it. Yes, it was real, but many made it worse.

If you believe in the dentistry that you do and present to patients, then convey that to the patients. Time to reevaluate your practice philosophy with yourself and your team. Then act on it, share it and be in control of where you go into this new year. HAPPY NEW YEAR!!!!!!

-Bob & Darla

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Introducing Angela Shank

Please allow us to introduce you to Angela Shank. Angie has been a member of our team since November 2010. Angie graduated from Hagerstown Community College in 1999 with an associates degree in accounting. In our office, she primarily works with payrolls, bill pays, and monthly work.

Angie and her husband Chris have been married for eleven years and have a beautiful daughter, Allison, who is four years old. They also have a cat named Katey and a dog named Haley.

Angie grew up with her twin sister Andrea, and older siblings Mindy and Jason.

Angie and Chris spend much of their time at car shows where they show off their truck that features a hot tub on the back! They also attend the Super Chevy Show each year.

Angie has been a wonderful addition to our team. We appreciate her sense of humor and her willingness to do whatever it takes to get the job done.



Vehicle Depreciation and Planning

In general, if you use your vehicle in pursuit of a trade or business, you are allowed to deduct the ordinary and necessary expenses incurred while operating the vehicle. However, any expenses associated with the personal use of the vehicle are not deductible.

Business use of your car can include traveling from one work location to another work location within your tax home area; visiting customers; attending a business meeting away from the regular workplace; and traveling from home to a temporary workplace if you have one or more regular places of work. The costs of travel between home and a regular place of work, however, are nondeductible commuting expenses.

In lieu of proving the actual costs of operating an automobile owned by them, employees and self-employed individuals may compute the deductible costs for their business use of an auto using a standard mileage rate. The 2011 standard mileage rate is 51 cents per mile through June 30 and 55.5 cents per mile for July 1 through December 31. You may not depreciate your car or deduct lease payments if you use the standard mileage rate method. If you use the actual cost method, you may take deductions for depreciation, lease payments, registration fees, licenses, gas, insurance, oil, repairs, garage rent, tolls, tires and parking fees. Regardless of the method used, if the vehicle is driven for personal as well as business purposes, only expenses or mileage attributable to the percentage of business use are deductible. There are separate considerations involved in leasing a car for business.

Proper record keeping is critical for either method you choose. You should keep a daily log of miles traveled and for what purposes. You must be able to prove the cost of the vehicle and the date it was placed into service for business in order to claim depreciation.

The fact that an employer allows an employee to use an employer-provided car for personal purposes generally does not deprive the employer of a vehicle expense deduction. An employer who provides a vehicle to an employee as a fringe benefit may use one of the special valuation rules, rather than the fair market value (FMV) of leasing a comparable car, to calculate the amount of the benefit that is attributable to the employee's personal use of the car.

Employers must report their employees' personal use of the car on their W-2, Wage and Tax Statement. They are not required to withhold income taxes on this income, although social security and railroad retirement taxes must be withheld. An election not to withhold income taxes may be made on an employee-by-employee basis. However, affected employees must be notified in writing by the later of January 31st of the applicable year, or 30 days after the day on which the employee receives a car.

An employee with an employer-provided car must substantiate the business use of the car with adequate records or evidence in order to claim a fringe benefit exclusion from income for personal use of the car. An employee who uses a personal car in the performance of services for his or her employer is entitled to deduct the car expenses if the car is used for the convenience of the employer, and is required as a condition of employment.

Cell Phones

In December of 2009, the IRS changed the requirements for the use of cell phones paid for by an employer. In the past there were very strict requirements for record-keeping to determine the amount of time allocated to business and personal use of a cell phone. While a cell phone must still be for the convenience of the employer, there is no longer the need for extensive record keeping. In general, if there is shown to be a need for an employee to be reached during non-typical hours, the cost of the cell phone is deemed a business deduction and does not have to be claimed as wages to the employee. An example of this would be if the employee had to be available to answer questions after normal hours of operations. Similarly, if an employee already has a cell phone and uses it for business purposes at the convenience of the employer, the reimbursement is a business deduction and not taxable to the employee.

