FINANCE, MODULE 10

Taxes, entity and your CPA

Benchmark does not do tax. Your CPA does, and this module is about giving her what she needs and understanding what she tells you. After this module you know the calendar, what your entity type changes, what "estimated taxes" means for cash, and the six things a good CPA relationship looks like.

> **Read this first.** Nothing here is tax advice. Entity choice, elections, deductions and filing positions depend on your facts and your state, and only your CPA or tax attorney can advise on them. The point of the module is that you can have a better conversation with them.

The calendar

Monthly or quarterly

Sales tax return, where your state taxes retail (Finance 2). Payroll tax deposits, handled by the payroll provider, on the schedule the IRS assigns.

April 15, June 15, September 15, January 15

Federal estimated income tax payments for owners of pass through entities and for corporations on their own schedule. These are cash events (Finance 9); put them on the calendar.

January 15

1099 vendor list to your CPA (Finance 2). Forms are due to recipients by January 31.

January 31

W-2s to employees, from the payroll provider.

March 15

S corporation and partnership returns due (or extended).

April 15

Individual and C corporation returns due (or extended). Extensions extend the filing, not the payment.

Any time

Property tax on equipment in some states and counties; business license renewals; the state's annual report or franchise tax.

What your entity type changes

Structure	How profit is taxed	How you are paid	What the books need
Sole proprietor or single member LLC	On your personal return, with self employment tax on the profit	Owner draws	Clean separation of personal and business; draws tracked in equity
S corporation	Profit passes through to your return; no tax at the company level	A reasonable salary through payroll, plus distributions	Payroll for the owner; distributions tracked; "reasonable" salary documented
C corporation	Tax at the company level; dividends taxed again when paid out	Salary through payroll; dividends	Officer compensation through payroll; no personal expenses, ever
Physician owned practice with a management company	Two entities, each with its own return	Salary from the entity that employs you	Two files, the agreement followed, intercompany balances tied every month

Which one is right is a conversation with your CPA and your attorney, and in many states the practice's structure is set by law, not by tax (Operations 5). What the books need is the same in every case: personal and business kept apart, owner pay through the right channel, and every draw or dividend recorded as what it is.

Estimated taxes are a cash problem, not a tax problem

A profitable pass through clinic owes tax on the profit whether or not the cash was distributed. The four estimated payments are the biggest non monthly lumps most owners face, and the ones most often missed in the first profitable year. The fix is boring: your CPA sets the amount after each quarter's close, and one percent of revenue a month goes to a tax account until it is covered.

Six things a good CPA relationship looks like

1. **She gets closed books, not a shoebox.** Reconciled, locked months (Finance 4) turn tax preparation into a review. Open books turn it into a reconstruction billed by the hour.
2. **You talk in October, not April.** A planning conversation before year end is where equipment timing, retirement contributions and owner pay can still change the answer.
3. **One list of questions, answered in writing.** Depreciation method, the capitalization threshold (Finance 2), how memberships are treated, what counts as start up cost. Written once, applied every month.
4. **She knows your state.** Sales tax on services, franchise tax, local business taxes. A CPA who works with other clinics in your state has seen the questions before.
5. **The bookkeeper and the CPA talk directly.** You should not be the messenger. Benchmark sends the sales tax figures, the 1099 list and the year end package straight to her.

6. **Deductions are documented as they happen.** A receipt attached to the transaction the day it is spent (Finance 3) is a deduction. A memory in April is a question.

Things that get clinics in trouble

- Personal expenses on the company card, then argued about at year end.
- Sales tax collected on retail and spent as if it were revenue.
- Contractors who are really employees, in the state's eyes. Injectors on 1099s are a frequent audit finding; ask your CPA and attorney before you hire anyone as a contractor.
- Cash payments from patients that never reach the books.
- A first profitable year with no estimated payments made.

> **Where Benchmark comes in.** We deliver closed, reconciled books to your CPA, send her the sales tax figures each period and the 1099 list in January, keep the year end package ready, and coordinate the handoff so you are never the messenger. Tax questions go to her; the books that answer them come from us.

Try it yourself

- [ ] Put the four estimated tax dates on your calendar with the amount from your CPA's last letter.
- [ ] Book a 30 minute planning call with your CPA for October.
- [ ] List everyone you pay on a 1099. Ask your CPA whether each one is properly a contractor.

Check yourself: Finance 10

Filing an extension

Extends the payment due date too

Extends the filing, not the payment

Is not allowed for clinics

The tax is still due on the original date. The paperwork gets more time.

In an S corporation, the owner who works in the business is paid

Draws only

A reasonable salary through payroll, plus distributions

Dividends only

Salary through payroll is the rule; distributions come after.

Estimated taxes are best handled by

- Waiting for the bill in April
- Your CPA setting the amount quarterly and a monthly transfer to a tax account
- Reducing profit

A cash problem solved by a habit, not a tax problem.

The best time to talk to your CPA about the year is

- April
- October, before year end, while decisions can still change the answer
- Never, she has the books

Planning happens before December 31. April is history.

Sales tax collected on retail is

- Revenue
- Money held for the state, not yours to spend
- A cost

A liability on the balance sheet until it is remitted.

Pick an answer for each question.

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