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# Taxmagedon: What dental practices need to know

By Allen M. Schiff, CPA, CFE, and Harold Hoffman, CPA

Jan. 1, 2013, is becoming known as "Taxmagedon" — the perfect storm of expiring Bush-era tax cuts, the expiration of the employee-side Social Security tax cut, and the start of certain new taxes and fees from the Patient Protection and Affordable Care Act. According to the Center for Data Analysis at The Heritage Foundation, the total tax increase will be approximately \$494 billion for the nation as a whole — a \$4,138 increase for the average family. Of course, Congress may extend some or all of the Bush-era tax cuts. Please stay tuned!

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## **Expiring Bush-era tax cuts**

Under President George W. Bush, there were two major sets of tax cuts: the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). These cuts were scheduled to expire for years beginning after Dec. 31, 2010, but were extended through 2012.

## **Tax brackets**

Prior to EGTRRA, individual tax brackets were 15%, 28%, 31%, 36%, and 39.6%. EGTRRA replaced them with 10%, 15%, 25%, 28%, 35% and 38%. Barring extension, the pre-EGTRRA tax brackets will be back in effect, producing a tax increase for ALL taxpayers due to the loss of the

10% bracket. Taxpayers outside of the 15% bracket will additionally suffer from the loss of the 25% bracket. Additionally, the top tax bracket, currently 35%, will become 39.6%.

**Author bios**

Allen M. Schiff, CPA, CFE, is a founding member of the Academy of Dental CPAs (www.adcpa.org). This group of very knowledgeable CPA firms across the nation specializes in practice-management services to the dental industry. Schiff serves on the ADCPA Executive Committee and is the chairperson of the ADCPA Marketing Committee. Reach him at (410) 321-7707 or by email at [ASchiff@Schiffcpa.com](mailto:ASchiff@Schiffcpa.com).

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