

The TOP 7 TAX MISTAKES

Made by Medical Professionals

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Sean M Duncan, CPA is the founder and owner of SMD Consulting & Accounting, LLC, Helping Hand RIA, and Chief Proactice Advisors, LLC. As a thought leader, advisor, and educator; he helps physicians and practice owners transform their businesses and their lives through proactive tax, business, and wealth planning.

SHAMELESS PLUG: There are FREE copies of my book in the back while supplies last.



**DISCLAIMER
TIME!**

I'm not giving you Tax or Legal Advice

First, you need to be aware that...

1. I'm not a lawyer, so I'm DEFINITELY not giving legal advice.
 - o Please consult with your legal professional for legal advice.
2. The purpose of this is to give you insights in what you may want to discuss with your CPA to build a personalized tax strategy. I'm not giving tax advice either. 😊

This is gonna be a HIGH LEVEL discussion

I have taught as stand-alone 1-2 hour seminars/ webinars each bullet point on the top 7 (and bonus) list.

We are just scratching the surface, but still going to give value

There is more in the slide deck than I'll talk about up here.

It's there, on purpose, to give you more to consider later.

I LOVE questions but let's save them to the end or even after the session... I'm gonna be flying through this stuff.

I will stick around outside the room after the session as long as y'all need me... heck... grab me at lunch or in the hall if you like.

HERE WE GO!

The Top 7 Tax Mistakes

1. Choosing the Wrong Entity
2. -
3. -
4. -
5. -
6. -
7. -

Bonus Items: As Time Allows

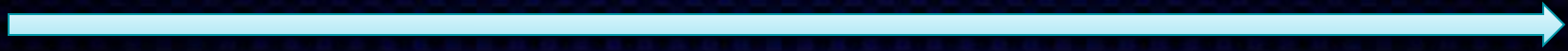
#1: CHOOSING THE WRONG ENTITY

Sole
Prop

Ptshp
GP LP

S
Corp

C
Corp



LLC

#1: CHOOSING THE WRONG ENTITY

Sole
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Pass Thru Entities

#1: CHOOSING THE WRONG ENTITY



#1: CHOOSING THE WRONG ENTITY

There ARE situations and strategies where I strongly recommend the use of multiple entities.

Sometimes working side by side, sometimes owning one another, and sometimes a combination of both.

The key is ROI.

#1: CHOOSING THE WRONG ENTITY

Some Random Pro-Tips for you:

- If you have more than 2 S Corps probably means you are wasting a lot money.
- C Corps are Tax “inefficient”. Don’t let your Lawyer talk you into one without running the math with your CPA first.
- LLC rules differ in each State, but the Federal rules are the same.
- Just because you check the box “Limited Partner” does NOT mean you get to skip out on liability and SE Tax (it may just be an audit waiting to happen).
- If you form a General Partnership, I consider that a terrible mistake 99 times out of 100.
- Community Property States don’t require partnerships for husband and wife owned businesses/ practices. Don’t waste the money on filing if you don’t have to.

The Top 7 Tax Mistakes

1. Choosing the Wrong Entity
2. Choosing the Wrong Retirement Plan
3. -
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Bonus Items: As Time Allows

#2: CHOOSING THE WRONG RETIREMENT PLAN

The Main Types

- Personal IRA
- SEP IRA
- SIMPLE
- 401(k)
- Defined Benefit Plan

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- Personal IRA
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- SIMPLE
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- Defined Benefit Plan
- BONUS: The HSA

#2: CHOOSING THE WRONG RETIREMENT PLAN

Some Random Pro-Tips for you:

- SIMPLEs are not SIMPLE (just get a SEP or 401k).
- If your CPA tells you that you need to increase your salary so you can max out your SEP-IRA, you are probably wasting a LOT of money. Go run the math on a change to a 401k.
- If you have employees that have been with you for 3+ years, you have to contribute to their SEP-IRA the same % you put in yours. (Did you PLAN for that kinda bonus?)
- The Trump Plan is not on this list because it doesn't apply to you. Do NOT put your money into it! Take the free \$1000 and that's it.
- If you don't know what a "back-door ROTH" is... please talk to your CPA / Financial Advisor about it.

The Top 7 Tax Mistakes

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Bonus Items: As Time Allows

#3: NOT MAKING ESTIMATED TAX PAYMENTS

- 1040ES
- Due Dates
 - April 15th
 - June 15th
 - September 15th
 - January 15th

#3: NOT MAKING ESTIMATED TAX PAYMENTS

The Penalty

= Underpaid \$ X (Days Late/365) X The Quarterly Interest Rate

- The Interest Rate for Q1 2026 Ranges from 4% - 9%

EX: You missed your Q1 payment of \$50k and pay on April 15 when you file your tax return

- $\$50,000 \times (365/365) \times 7\%$ (individual rate) = **\$3,500** penalty

#3: NOT MAKING ESTIMATED TAX PAYMENTS

The “Safe Harbor” Rule

- At least 110% of last year’s tax (some situations allow 100%)
- OR
- At least 90% of what you actually owe

You can still get penalized if you pay it all in January or with your Extension.
They want your money as the year is going along.
Not at the end. Hence... the 4 payment dates.

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Bonus Items: As Time Allows

#4: GETTING TOO “CUTE”

The TikTok Advice

- Puerto Rico 4% Tax
- Conservation Easements
- The Augusta Rule
- Abusive Captive Insurance Plans
- Buying a Car In Your Practice
- Hiring Yourself
 - (aka The practice paying you as a contractor)
- Selling your practice to a Trust
 - (why the HECK is this even a thing on social media now... it's AWFUL!)
- And SOOOOOO Many More

#4: GETTING TOO “CUTE”

My #1 Tip Here...

Don't miss out on the basic (even “boring”) deductions because you are excited about some creative and complex idea you heard on social media, while scrubbing in, or over beers that tells you can “hack” the system or outsmart the IRS.

EX:

Meals

Travel

CME

Assets (airplane anyone?)

Uniforms

Cell Phone

Supplies

Mileage

Retirement Plan

Etc

The Top 7 Tax Mistakes

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5. Passive Vs Active Income & Loss Errors
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7. -

Bonus Items: As Time Allows

#5: PASSIVE Vs. ACTIVE INCOME & LOSS ERRORS

REAL ESTATE IS
“PASSIVE INCOME”

Unless you qualify for an exception

#5: PASSIVE Vs. ACTIVE INCOME & LOSS ERRORS

Passive Income vs Active Income... why do you care?

- Passive Losses can only be used to offset other Passive Income.
- The Exceptions:
 - If your MAGI is below \$100,000 (MFJ), you can take up to \$25,000 in that year
 - Phases out between \$100,000 and \$150,000
 - You are a “Real Estate Professional” *per the IRS Definition*

#5: PASSIVE Vs. ACTIVE INCOME & LOSS ERRORS

Real Estate Professional

- You work 750 Hours on that activity.
(psst... *PER property*, unless you “aggregate”.
Ask a CPA that knows this stuff for more details.)

AND

- Those Hours are more than any other activity (job) you perform in the year.

A real estate agent license or “working in the industry” does NOT count.

#5: PASSIVE Vs. ACTIVE INCOME & LOSS ERRORS

SHORT TERM RENTALS ARE
NOT
“ACTIVE” JUST BECAUSE YOU RENT
THEM FOR LESS THAN 7 DAYS

The internet lies about this one A LOT

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7. -

Bonus Items: As Time Allows

#6: CLASSIFYING STAFF AS CONTRACTORS

Why do you Care?

Each employee costs an *additional* 20-40% X Wage

1. Social Security & Medicare (7.65%)
2. Unemployment Tax (0% - 5.6% in Hawaii)
3. Worker's Comp
4. Retirement Plan Contributions
5. Health Insurance
6. Mandatory Training or Other Compliance Costs
7. Supplies & Equipment
8. And More...

#6: CLASSIFYING STAFF AS CONTRACTORS

The 20 Point “Checklist”

1. Instructions. Workers who are required to comply with others’ instructions about when, where, and how they are to work are ordinarily employees.
2. Training. Training workers indicates that employers exercise control over the means by which results are accomplished.
3. Integration. When the success or continuation of a business depends on the performance of certain services, the workers performing those services are subject to a certain amount of control by the owners of the businesses.
4. Services rendered personally. If services must be rendered personally, employers control both the means and the results of the work.
5. Hiring, supervising, and paying assistants. Control is exercised if employers hire, supervise, and pay assistants.
6. Continuing relationships. Continuing relationships between workers and employers indicate that employer-employee relationships exist.
7. Set hours of work. The establishment of set hours of work by employers indicates control.
8. Full-time required. If workers must devote full time to employers’ businesses, employers have control over workers’ time. Independent contractors are free to work when and for whom they choose.
9. Doing work on employers’ premises. Control is indicated if the work is performed on employers’ premises.
10. Order or sequences set. Control is indicated if workers are not free to choose their own patterns of work but must perform services in the sequences set by the employers.

#6: CLASSIFYING STAFF AS CONTRACTORS

The 20 Point “Checklist”

11. Oral or written reports. Control is indicated if workers must submit regular oral or written reports to employers.
12. Payment by hour, week, or month. This points to employer-employee relationships, provided that this method of payment is not just a convenient way of paying a lump sum agreed on as the cost of a job. Independent contractors are usually paid by the job or on straight commission.
13. Payment of business and/or traveling expense. Employers paying workers' expenses of this nature shows that employer-employee relationships usually exist.
14. Furnishing tools and materials. If employers furnish significant tools, materials, and other equipment, employer-employee relationships usually exist.
15. Significant investments. Workers are independent contractors if they invest in facilities that are not typically maintained by employees (such as an office rented at fair market value from an unrelated party). Employees depend on employers for such facilities.
16. Realization of profits or losses. Workers who can realize profits or losses (in addition to profits or losses ordinarily realized by employees) they are independent contractors. Workers who cannot are generally employees.
17. Working for more than one firm at a time. If workers perform services for a number of unrelated persons at the same time, they are usually independent contractors.
18. Making services available to the general public. Workers are usually independent contractors if they make their services available to the general public on a regular and consistent basis.
19. Right to discharge. The right of employers to discharge workers indicates that the workers are employees.
20. Right to terminate. Workers are employees if they have the right to end their relationships with their principals at any time without incurring liability.

#6: CLASSIFYING STAFF AS CONTRACTORS

The REAL rule:

CONTROL

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7. Not Proactively Planning with your CPA

(+ Financial Advisor & Lawyer for that matter)

Bonus Items: As Time Allows

#7: NOT PROACTIVELY PLANNING WITH YOUR CPA

Headsup

1. We can't travel back in time to fix mistakes
April 15th is too late
2. Not all CPAs even DO planning
3. Planning is an EXTRA service
Look at the ROI... not the cost, please
4. We don't know everything
*Ex: Not all CPAs know medical, real estate, etc
Take the time to interview while you can*
5. OK... this really should be #1 on the list

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Bonus Items: As Time Allows

Before we try for the Bonus Round.. Questions?



Feel free to e-mail any followup questions to Sean@SMDAccounting.com

#BONUS ROUND!

1. Poor Documentation
2. Commingling
3. Not Optimizing Sch A
4. Too many S Corps
5. Not Hiring Family
6. Ignoring Tax Credits
7. Buying an Airplane In the Practice
8. Not Planning for the Sale of the Practice

Questions?



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