



January, 2013

To Our Valued Dental Clients,

I have been following very closely articles on the American Dental Association web site in the past few weeks as it pertains to the 2.3% Medical Device Tax that became law on January 1, 2013. I have also had direct communication with Eric Thorn who is the in-house legal council for the National Association of Dental Laboratories regarding the tax.

I have enclosed the following documents for your review:

-News article from the web site of the American Dental Association dated December 18th titled "Excise Tax Alert"

-The letter written by Mr. Thorn on behalf of the National Association of Dental Laboratories regarding the tax

The regulations issued by the Internal Revenue Service in December of 2012 are very complex. The consensus among people I have spoken to which is stated in the ADA letter is that you as a private practice dentist will generally not be required to charge your patients an excise tax on the work you do.

What is going to happen is the following:

-Dental laboratories will have to pay the tax on supplies they purchase to make crowns, bridges, dentures and other items for their dentist customers. The letter from the National Association of Dental Laboratories indicates that dental labs are generally not required to pay the tax on traditional items they make such as crowns, bridges, dentures, etc. Whether they choose to pass on the cost of the tax on the supplies they have to pay is up to each individual dental lab. You should have the conversation with the dental lab(s) that you work with regarding their interpretation of the assessment of the tax.

-Dental supply companies will pay the tax on their products that they sell you that qualify as being subject to the tax. It is very important that you review your dental supply bills carefully so that you are only paying the tax on supplies that these dental supply companies are required to collect the tax on. I would suggest you have this conversation with your dental supply representatives to confirm that this tax will only be paid on supplies that the law requires them to be charged on.

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-If you import crowns, bridges, dentures or other items you use for patients from a foreign dental lab, the law indicates that you are what is known as an “importer” and you could very well be subject to having to pay this tax as an importer.

Finally, you will have to decide whether you are going to pass these additional costs onto your patients. Unfortunately, you will not be able to do so for patients that you treat who are members of insurance plans whose fees are generally fixed. Pam Chamberlain and I would be happy as dental CPA’s to discuss this with you on an individual basis.

I hope this information is helpful to you.

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Managing Director