

## **DECEMBER 2011—WHAT BETTER TIME THAN NOW TO PURCHASE A CEREC**

By Allen M. Schiff, CPA, CFE

If you are contemplating purchasing a CEREC, why wait until 2012 when 2011 provides you with the combination of a great promotion and exciting income tax savings opportunities? For the remainder of 2011, you can take advantage of various depreciation methodologies that will provide you with immediate tax savings—as long as the CEREC is installed and in service by December 31, 2011. Furthermore, you do not even have to pay for the CEREC by then! Just merely execute the loan documents and related note associated with the purchase.

Let's take a look at some of the "economics" within your investment decision. Some of the economic factors for you to consider are: the cost of the equipment, the tax savings associated with your purchase, the repayment of the debt associated with your investment, and the lab fees that will be saved as a result of the purchase of your new CEREC.

### **Cost of the CEREC**

Currently the CEREC AC powered by Bluecam sells for \$119,995. Sirona Dental Systems and Patterson Dental have teamed up to offer you a manufacturer's rebate in the amount of \$10,000. The manufacturer's rebate expires on December 31, 2011. So if you act immediately, your net cost for this CAD/CAM investment will be \$109,995 (\$119,995 - \$10,000 rebate).

### **Tax savings associated with your purchase**

Almost all dental practices file their income tax returns on a calendar year basis. As a result of this type of filing, your 1st year depreciation could vary from \$5,500 to \$15,718 using regular depreciation—versus using IRS Code Section 179 depreciation in the amount of \$109,995. However if you take advantage of the Section 179 depreciation, your year-one savings could be significantly higher.

Here is how Section 179 depreciation works: Assuming there is sufficient profitability within your practice, you could write off the entire cost (\$109,995) of the CEREC! If there is not sufficient income to absorb the entire cost, you can write off whatever portion of the cost is needed to bring your taxable income to \$0. So, let's assume for this article you could write off the entire cost in the amount of \$109,995 due to your practice's profitability.

In order to measure the immediate "tax savings", let's assume you are in the 40% income tax bracket (combination Federal & State). As a result of your purchase, your immediate tax savings will be \$43,998 (40% x \$109,995). This amount of tax savings holds true whether you claim the entire cost in year one as a Section 179 deduction or depreciate (write-off) the cost over its five-year life. The net cost to you after tax savings would amount to \$65,997 (\$109,995 cost of the investment less the tax savings \$43,998).

### **Repayment of the debt associated with your investment vs. the lab fees**

If you pay cash for your CEREC, that's great! If, on the other hand, you have to finance your investment using the attractive loan program that Patterson offers you, then your monthly note payment will be \$2,073 (4.95% over 5 years). If you are currently averaging 25 units a month with your current lab (that's approximately one crown a day), and let's say of the 25 units, 20 could be performed using the CEREC technology (inlays, onlays and crowns), and let's further assume that your average lab fee per unit is \$150, then your lab cost of \$2,600 per month (20 x \$150), less the cost of the porcelain for the CEREC at \$500, could cover the cost of your new CEREC monthly payment. Here is the math:

ASSUMPTIONS	MONTHLY SAVINGS "CALCULATOR"
Current Lab Fee (20 units @ \$150 per)	\$3,000
Less: Note Payment on the CEREC Investment -4.95% over 5 years	(\$2,073)
Less: Cost of Porcelain (20 units @ \$25 a unit)	(\$500)
<b>= MONTHLY SAVINGS</b>	<b>\$427</b>

As you can readily see from the above, the monthly costs to operate the CEREC will be covered by the Lab Fee savings as a result of the integration of this new technology within your practice. Furthermore, there will be an intangible benefit to the practice when you take into consideration the integration of the new technology within your practice. So the chart above really underestimates the integration of the CAD/CAM technology within your practice. Please see Marketing of Dental Services below.

### Marketing dental services and dental technology

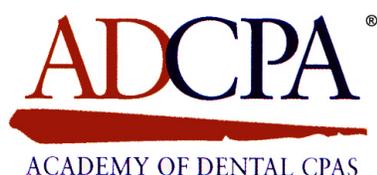
The world is becoming increasingly digital in almost everything we do—from cell phones, to digital televisions to computer technology. Why not consider implementing digital technology within your dental practice now and use it as a marketing tool? For example, you could promote the CAD/CAM concept with same-day treatment (avoiding that 2nd appointment). You could also inform your patients that you are keeping pace of the digital revolution within your practice, so that your patients perceive you are "state of the art". In today's social media saturated world, you can even "share a post" on your Facebook page announcing this new technology.

### Transition strategies

If you are thinking about transitioning your practice in the near future, then the investment in the CAD/CAM concept should be another important consideration. In fact, many of the dental schools have already integrated this new technology within their programs. You may want to consider this investment prior to transitioning your dental practice in order to sustain the value of your practice. In fact, many of the buyers in today's world are requesting that the sellers reduce the listing prices on their practices as a result of the cost of implementing this new type of technology.

### If you feel you are overwhelmed with this decision, how can a Dental CPA help you?

Please consider using your Dental CPA's skills to help you with this major investment decision. The Academy of Dental CPAs has 27 member firms across the United States that represent in excess of 8,000 dental practices. To locate a Dental CPA near you, visit the ADCPA's website ([www.adcpa.org](http://www.adcpa.org)), call 1-800-331-8525, or please email me at [ASchiff@Schiffcpa.com](mailto:ASchiff@Schiffcpa.com).



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