



Chiropractical Episode 6

Becky Fluegge, Rebecca Westphal, Jim Bembenek, Dr. Gerry Clum

Chick Herbert: Hi, everyone. Welcome to *Chiropractical*, brought to you by the Miles Away Business Credit Card. My name is Chick Herbert, and I am one of your co-hosts. Thank you for your tremendous response and support of our prior episodes.

Chiropractical is a podcast about chiropractors, for chiropractors. At NCMIC, our motto is *We take care of our own*, and this is just one more way that we demonstrate that.

Melissa Knutson: Hi everyone. This is Melissa Knutson, also a co-host on *Chiropractical*, and through these episodes, we will bring you specific and actionable information you can apply to your practice.

Chick Herbert: Today we're joined by Becky Fluegge from NCMIC who will share information about a lesser known tax deduction that you may want to take advantage of. Also Mike Whitmer and Jim Bembenek will join us and answer two Ask NCMIC questions. And that will be followed by a very special conversation with Dr. Gerry Clum.

Melissa Knutson: And with that, let's get started. Did you know, you can buy equipment for your practice, write it off as an expense while you can, but what items qualify for this and how does it work? This information could save you a lot of money for your business. So we've invited Becky Fluegge to help us understand this topic. Becky is the vice president and credit manager in our business lending group at NCMIC. She has more than 20 years of working with small businesses with small business lending topics. And we're so excited to have her with us today to talk about Section 179, because it's a real timely issue as we get into tax season. So thank you Becky for joining us.

Becky Fluegge: Thanks Melissa. You're right. This is very timely. This time of year, as we all get prepared and looking towards the year end.

Melissa Knutson: Okay. So I'm guessing that there are some listeners that don't have a clue as to what Section 179 is because this is a newer topic, especially if you're just getting into business. So tell us what is Section 179?

Becky Fluegge: Well, essentially Section 179 allows a business to take the full purchase price of a piece of equipment that they buy in the calendar year of 2020, and deduct that full purchase price off of their taxable income at the end of the tax year.

Melissa Knutson: So if I buy a piece of equipment and it's \$30,000, for example, what might that mean for me?

Becky Fluegge: Good example. If you do buy a piece of equipment, that's, let's say, as you mentioned, \$30,000, what you can do is you can take a deduction for that full purchase price and offset that against your taxable income. So let's say if you're at a tax bracket of

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35%, deducting \$30,000 from your taxable income would result in a tax savings or cash flow savings of \$10,500 at the end of the year.

Melissa Knutson: So if I'm looking for equipment cause I want to get this deduction, what would be equipment that would be considered to qualify for this deduction?

Becky Fluegge: Qualifying equipment is really any type of depreciable asset, according to the tax law, and what that means is basically any type of equipment that you use in your business. For example, a chiropractic table. You could use that full purchase price and use that as a Section 179 deduction. You can also use software that you might purchase for the use of your business. As long as it's used by your business.

Becky Fluegge: Another item to add is in 2020, they did expand that. And with that they've allowed additional improvements to real property and what that might include. So let's say your business owns its own building. If you had to repair a roof or add a new HVAC system this year, the cost of those items would also be included in qualify as Section 179.

Becky Fluegge: If you rent a building, you can also use included this year. It would be office furniture that you can deduct as 179 expense, as well as fire alarms or security systems, which, you know, many people may have added this year just because of what we're facing.

Melissa Knutson: Yeah. That's interesting. I hadn't thought of. And improvements or real property or chairs or anything along those lines to be considered equipment, to be deductible in this sense with Section 179. So that's really good to know.

Becky Fluegge: And again, that is a new rule just in 2020. So it might be something that people haven't thought of in the past, but can apply this year.

Melissa Knutson: If I'm buying equipment, do I need any help from my vendor to help to make this Section 179 deduction happen or what should I know?

Becky Fluegge: The key thing is not only to have purchased it in this taxable year, but it also has to be placed in use before midnight, December 31st. So if you're thinking about equipment, I would recommend reach out to the vendor. Identify what the delivery time on that piece of equipment might be. And that might dictate how, and when you need to have purchased that, because it absolutely must be in place and in use before December 31st, 2020,

Melissa Knutson: So it does take a little bit of planning. So you can't just call on the last day of the year and say, Hey, ship me the table and I'll pay for it today.

Becky Fluegge: Exactly.

Melissa Knutson: So you got to get on it, right. Work with those vendors.

Becky Fluegge: As we said, this was a very timely topic plan now.

Melissa Knutson: Yeah. Well, you said by midnight, so, you know, be adjusting patients right before midnight, if you need to, to put that thing right into use. I know a lot of our customers, a lot of chiropractors, they finance their equipment with us. So how does financing equipment impact Section 179?

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Becky Fluegge: Actually, whether you finance the piece of equipment or purchase it outright, you still can take Section 179 deduction. When you're looking at your cash flow and you don't want to pay for that full purchase price out of your current cash flow, you can finance it. When you finance, you've just made maybe a couple of payments before the end of the year. So your cash flow is equal to one or two payments versus the full purchase price or cost of that equipment. Yet you would get that cash savings on your taxable income.

Melissa Knutson: Okay. So if I bought the equipment and put it into use in October, I maybe make a payment in October, November, December, but I can get the full \$10,000 deduction, for example .

Becky Fluegge: You could get the full \$30,000 deduction. And which resulted when we talked about the 35% tax bracket, which resulted in a \$10,000 cash savings.

Melissa Knutson: So Becky, for some chiropractors, 2020 has been a hard year. If a chiropractor is experiencing losses for the 2020 year, can they qualify for Section 179?

Becky Fluegge: Actually 179 is not available to those chiropractors that do report a net loss, or they can't use Section 179 to create a net loss. And what I mean by that is, so let's say profits are down because of the unusual year that we've had. Let's say your business reports a net profit of \$10,000, and you want to purchase a piece of equipment for \$25,000. Well, taking Section 179 would result in now a net loss of \$15,000. \$10,000 minus the \$25,000 drops you below that zero line and creates that net loss of \$15,000. So you're not eligible to create that loss through taking Section 179. However, with that said, keep in mind that there are several other rules out there that do allow you to take depreciation deductions for equipment purchased in 2020. And again, consult with your tax advisor on which one of those rules might fit best for you.

Melissa Knutson: Perfect. So a chiropractor maybe can't benefit from Section 179 this year, if they're experiencing a loss, but there may be some other benefits and deductions that that may come into play. So that's good to know.

Becky Fluegge: Absolutely. And one that I'd like to mention is with the Cares Act that was passed earlier this year, they did allow net loss carrybacks. What that means, if you have a net loss now in 2020, but you reported profits and previous years, you're now able to take that loss and carry it back and offset it against those profits resulting in a refund. Another thing to keep in mind, there is a process in place that you can actually take that carry back and apply it to previous net income that you reported and get a refund before you actually file your 2020 tax return. Again, talk to your tax advisor about that, but those options are in place and again can help with cash flow in this unusual year that we've all lived through

Melissa Knutson: Been a crazy year for sure. So, all right. Well good. Well, and I just want to point out, I know a couple of times, Becky, you said check with your tax advisor, and I think that's really important advice because at NCMIC we want to help our doctors as much as we can, but every circumstance is different. So it's, it's always important for our listeners to check with their tax advisor team or the financial advisor, whomever they work with to get the best advice. Thanks for joining us today, Becky.

Becky Fluegge: Thanks for having me, Melissa. And again, just remember that it's a very timely topic and if you're considering a purchase, you know, be sure to get in contact

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with your vendor to make sure that you do have that piece of equipment in place before the end of the year if you're planning on taking Section 179 deduction.

Melissa Knutson: Great advice, Becky, thank you. And listeners we know this information can be complicated because there's a lot to unpack here. So we've decided to prepare a handy user guide to make it a little bit easier for you. So go to our website at NCMIC.com/Chiropractical, go to the show notes and then click on the link for the user guide.

Chick Herbert: I'd like to welcome Rebecca Westphal to the podcast, Rebecca and her team help our doctors find the best financial solutions for their practices. She's here today to talk about our Miles Away Credit Card. So welcome Rebecca.

Rebecca Westphal: Thanks Chick for having me.

Chick Herbert: I would assume a lot of our listeners don't know that thousands of DCs take advantage of the various financial services products that we offer and it gives them a lot of flexibility. We've just come out with new versions of Miles Away Credit Card. What does that mean? Is it no longer a one size fits all?

Rebecca Westphal: You're correct. We just launched a suite of cards. We have four separate cards that meet all of our customer's business needs, anywhere from a low interest rates to one that gives you extra bonus points, essentially. So we have an array of cards to meet each of your business needs and financial needs at this time.

Chick Herbert: So when I hear Miles Away, I immediately think the rewards are tied to travel and some people may not be comfortable traveling right now. So does that mean this card doesn't fit for them?

Rebecca Westphal: Absolutely not. The name Miles Away is just the name of our card, but you can use your points that you earn for travel, if you want to travel at this time, or you can use them towards statement credit or cash back. We have gift cards that you can use them towards. I know the holidays are coming up, so that's always a great option or they do have some merchandise, if you would rather just kind of buy something, but definitely don't have to just use it for travel.

Chick Herbert: I know this is a business card, but those rewards could be used by our DCs for personal use.

Rebecca Westphal: Yep. So you can use it, like I said, any of those redemption options, it's not specific just for travel.

Chick Herbert: Rebecca for those that are interested in learning more in potentially applying for a card, where do they go to get more?

Rebecca Westphal: [They can go to our website NCMIC.Com/rightforyou.

Chick Herbert: Great. I'm going to repeat it. NCMIC.com/rightforyou, Rebecca. Thank you for joining us today. We really appreciate your time, but more importantly, thank you for all that you do to help our doctors do more.

Rebecca Westphal: Absolutely. Thanks for having me, Chick.

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Mike Whitmer: This is Mike Whitmer with NCMIC. Each episode of *Chiropractical* we are taking your questions. Many doctors have questions about practice, risk management, and other issues you face every day. We're calling the segment, Ask NCMIC.

Mike Whitmer: One question we get a lot is about accepting credit card payments in doctor's offices. So we got in touch with Jim Bembenek. Director of product development within CMIC merchant processing division. Jim, thank you for being with us.

Jim Bembenek: Thanks Mike.

Mike Whitmer: So the question is, can we do contactless payments or is a signature still required on a receipt?

Jim Bembenek: That's a great question, especially during the COVID times for contactless payments, most credit card terminals can support contactless payments. This includes the NFC chip on your credit card. NFC stands for near-field communication. In addition to Apple pay and Android pay, which are also contactless payments. As I stated most credit card terminals do support this. If they don't, you definitely want to talk to your credit card processor about getting upgraded.

Mike Whitmer: Another question we get from our policy holders occurs when a doctor moves their practice from one state to another, what needs to happen with their malpractice coverage. And actually I can address that one.

Mike Whitmer: When you move from state to state, please call your malpractice insurance provider. The way NCMIC handles it is we will review your coverage and get you set up with a policy for your new state of practice. We need to know you have moved your practice because our policies are customized for each state's laws and regulations around chiropractic practice, as well as rates based on claims experience in each state. Now when you move and we switch your policy to a new state that as continuous coverage, it's not an interruption in your policy. What that means for you is you will retain your longevity benefits related to claims free discounts and other benefits of being with NCMIC long-term. Also, if you are on claims-made coverage, we will switch out your policy to your new state, but you don't need to buy tail coverage. Because again, we view that as continuous coverage.

Mike Whitmer: Do you have a question you would like us to address on *Chiropractical*, send us your questions to AskNCMIC@ncmic.com.

Mike Whitmer: At NCMIC, we talk all the time about how we take care of our own. That's why it's my pleasure and honor today to have [Dr. Gerry Clum](#) as a guest on *Chiropractical*. I've known Dr. Clum for 20 years and have witnessed some of the great work he's done on behalf of the chiropractic profession. Dr. Clum is past president of Life Chiropractic College West, and has been an active leader in the profession throughout his 50 year career. Many of you know Dr. Clum as his work has touched so many of us. He's held active roles with the Association of Chiropractic Colleges, the Council on Chiropractic Education and the National Board of Chiropractic Examiners, just to name a few. Dr. Clum is very special to NCMIC as he has served as an expert witness on a variety of cases, helping NCMIC provide the very best defense possible for our doctors. We've asked Dr. Clum to join us on *Chiropractical* as he's facing an enormous challenge in his life, and the entire profession can help. Dr. Clum welcome to *Chiropractical*.

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Dr. Gerry Clum: Well, thank you for this opportunity to chat with you directly and the profession through *Chiropractical*. Those of your listeners that know me, they know that I've dealt with rheumatoid arthritis, all of my adult life. As they know as practitioners, rheumatoid disease is an autoimmune disease and it can affect secondary organs beyond the joints and, it has affected me in terms of my kidneys and basically I am now in what's called end stage renal disease or stage five renal disease, which means functioning with less than about 15% to 20% of my kidneys. My native kidney capacity as a result need to be on dialysis. I am looking for a kidney transplant. The reason I am chatting with you and we're on this call today is to see if you can help me find a transplant donor that would be willing to assist me at this time.

Mike Whitmer: How can the profession and our listeners help?

Dr. Gerry Clum: Well, most people have two kidneys and as a result, most people can donate one without any significant problem in their life. The truth of the matter is that beyond the day that we renew our driver's license and we check off that form of being an organ donor, we don't really think about it too much. But if anyone would be willing to consider, my circumstances and the need for a donation, I am working with UC Davis, which is in Sacramento, California, one of the largest renal transplant centers in the country, and they have a website that is designed with a survey embedded to help an individual find out whether or not they would qualify as a donor. So what I've done is I've set up a website at GerryClum.com. And if an individual goes to GerryClum.com, they'll see a link to the UC Davis survey. And if they click on that survey, it starts and takes them through, and it's about your basic height and weight and general health and wellbeing. And the survey is very quick, and if, for example, it comes across something that disqualifies a person as a donor, it lets you know right then and there, thanks you for your participation and you're on your way. You stay on the survey and you pass through the first round. Then UC Davis follows up directly with you about the survey, your answers and, and your willingness to serve as a donor. That's a totally confidential and anonymous situation as far as I'm concerned. I learn nothing about that. That's between the potential donor and UC Davis. I don't even know if they have taken the survey. That is the next opportunity to rule somebody in on the first level. And then there's a couple of follow-up levels from there.

Mike Whitmer: So if somebody goes online and completes the survey, but there isn't a match for you, does their participation help you in any way?

Dr. Gerry Clum: Yes. Davis has a matching program where when that situation arises, where someone is willing to be a donor, but they're the individual they want to donate to isn't compatible, then within their system being so large and so active in this transplant area, they match me up with someone else who's in that same spot and they match my potential donor up with someone else who is compatible and it's called the compatible exchange program. As a result, it increases the potential for me and increases the potential for other donors in the system and other patients in the system as well.

Mike Whitmer: What about family members? Do you have someone in your family that could be a donor?

Dr. Gerry Clum: My family has really stepped up. My wife has taken the survey and unfortunately she has a history of pulmonary emboli and has been ruled out. My children are involved, my siblings involved, cousins so on. The one problem is I'm, I'm

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approaching 70 years of age and oddly, so are my family members and my brothers and sisters and there's a delimiting date as far as age goes and some of them have already passed that. So there's lots of reasons that bump people out of being a candidate for a donor. Very simple ones, like a history of using sleep apnea devices or, or having sleep apnea, can exclude an individual for being a donor. A person can be relatively healthy, but still not able to be a donor so it's best to cast a wide net and that's exactly what I'm hoping to do through you and NCMIC.

Mike Whitmer: Well, Dr. Clum, thank you for joining us today. It was wonderful to talk to you. I, and everyone at NCMIC wishes you the very best with this journey.

Dr. Gerry Clum: Thank you. I appreciate it very much.

Mike Whitmer: And again, for our listeners, GerryClum.com. Go out, take a look and take the survey. Thank you.

Chick Herbert: Wow. That was certainly a compelling story and it was a special conversation to have with Dr. Clum and our thoughts go out to Dr. Clum and all those that are in need of an organ donor. It certainly puts things in perspective and I was not aware of the limitations that were on organ donors. In fact, many years ago, I had considered being a kidney donor to someone and learned about it but a lot has changed since that time, and certainly interesting to hear about some of those, limitations. For those of you that are interested in seeking out more information about organ donation, you can see the show notes and those can be found at NCMIC.com/Chiropractical for this episode. So check that out.

Chick Herbert: And in the past, we have asked for you to please take time to review and rate the podcast and that may sound self-serving, but those reviews are very meaningful because it will allow us to reach more people as they go out and search for podcasts. So please, if you are so inclined, we would love to have you do a review in addition to providing a rating from the star perspective.

Chick Herbert: So with that, we look forward to talking to you again and in the meantime...

Melissa Knutson: Take care and stay well.