

Insights



# 2021 Year-End Checklist for Veterinary Hospitals

November 30, 2021

Veterinary Services Group

For most veterinary hospitals, 2021 was another year of record growth, busy schedules, and significant challenges. During times like these, keeping up with managing the business aspects of a veterinary hospital can be difficult. To help provide some relief, we have compiled this year-end checklist.

## Hospital Tax Planning

- If you need new equipment, purchase and place it in service by Dec. 31 in order to fully write off the cost in 2021.
- Complete an annual review of your current fixed asset listing and remove any equipment not being used. This is especially important if you reside in a state where equipment is subject to personal property taxes.
- If you received a Paycheck Protection Program loan, and it was also forgiven in 2021, these funds are not taxed at the federal level for the hospital. For more information on tax implications of COVID-19 relief, visit the [KSM COVID-19 Resource Center](#).
- Complete a year-end physical count of the hospital's inventory.
- Review aged receivables and determine if any should be written off.
- Provide the following to your payroll provider (if applicable) for inclusion on W-2 forms:
  - Personal use of company-owned automobiles
  - Shareholder health insurance premiums paid on behalf of greater-than-two-percent owners of an S corporation
  - Disability insurance premiums paid on behalf of owners
- Set aside money in an account to plan for your tax bill. Most veterinary hospitals saw large growth and strong profits. Unfortunately, that means most tax liabilities will also see increases.
- Reach out to your CPA regarding the new pass-through entity tax election enacted in many states for the 2021 tax year. This could be beneficial and result in federal tax savings if you are located in one of the following states: Alabama, California, Connecticut, Idaho, Illinois, Louisiana, Maryland, Minnesota, New Jersey, New York, Oklahoma, Rhode Island, South Carolina, Wisconsin. Stay tuned in 2022 for additional states that are implementing this tax.

# Retirement Tax Planning

- Maximize your traditional and/or Roth IRA contributions. Note: There are income limitations related to Roth IRA contributions. Please contact your tax advisor with any questions.
  - The 2021 maximum for those under the age of 50 is \$6,000.
  - The 2021 maximum for those over the age of 50 is \$7,000.
- Maximize employee and/or spouse retirement plan deferrals:

Maximum Contributions		
	Under Age 50	50 and Above
Simple IRA	\$13,500	\$16,500
401(k)	\$19,500	\$26,000

- Maximize Health Savings Account (HSA) deferrals:

Maximum Contributions		
	Under Age 55	55 and Above
Individual Coverage	\$3,600	\$4,600
Family Coverage	\$7,200	\$8,200

# Individual Tax Planning

- Make contributions to your 529 college savings plans.
- Consider making any charitable contributions by Dec. 31. Consider gifting appreciated securities (held long-term) versus cash. The donation you make and the deduction you get are greater than they would be if you were to sell shares and donate the after-tax cash amount.

- Note: The Coronavirus Aid, Relief, and Economic Security (CARES) Act allows taxpayers to take an above-the-line deduction for cash donations up to \$600 for 2021. This deduction is allowed even if the taxpayer does not itemize deductions on the 2021 tax return.
- Submit for reimbursement all business expenses that were paid personally. These are no longer deductible on your personal return.
- Discuss your projected tax liability with your CPA to understand the amount of tax that may be due in April.

If you have additional questions, please be sure to reach out to your tax advisor or [contact us](#) to ensure that you are maximizing planning opportunities. Happy holidays!

**KEYWORDS** Veterinary, Tax, CARES Act

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