



Financial & Tax Guide for Dental Practices

A Guide for Practice Owners — 2026 Edition

You chose dentistry to care for patients, not to become a tax expert. I know, because I started my career as a dentist, and later worked on the administrative side of clinics: practice management software, patient services and scheduling. I've seen how much of your week goes to running the business behind the chair, and the rules aren't always simple.

This guide brings together the financial and tax topics that matter most for dental practice owners, in plain language, so you can make decisions with confidence. We're based in Seattle and work with practices across the country, so you'll also find notes for Washington practices along the way. If something here raises a question about your own practice, I'm just a call away, in English or Spanish.

— Diego R., Founder, AviTaxeS & Accounting Solutions

1. Entity Structure & Practice Ownership

A dental practice usually can't be set up like an ordinary business. Most states require dental practices to be organized as a professional entity, such as a professional limited liability company (PLLC), professional corporation (PC) or professional association (PA), and many states limit who can own or control a practice. The right structure starts with your state's dental and business laws.

- The entity you choose also shapes your taxes: a PLLC can be taxed as a sole proprietorship, partnership or S corporation, and the best choice depends on your income and goals.

FOR WASHINGTON PRACTICES

Who can own and control a dental practice

- A dental practice in Washington must be organized as a professional entity: a PLLC or professional corporation under the Professional Service Corporation Act (RCW 18.100). A non-dentist cannot own the practice.
- Name rules are strict: a dental PLLC's name must include the full names or surnames of all members.
- Since 2017, state law (RCW 18.32.675) has allowed a dentist to contract with non-dentist companies, such as management companies or DSOs, to own or lease the practice's equipment, furnishings and other assets (but not patient records), employ non-clinical staff, provide business support and management services, and charge fees for these services as agreed with the dentist.
- What a non-dentist company **cannot** do is interfere with the dentist's clinical judgment, for example by limiting how the dentist uses equipment or materials in treatment.
- An earlier court case, *Lee v. Thaheld* (2014), voided a management agreement because it gave a non-dentist too much control over the practice. **Any management or DSO agreement should be reviewed by a healthcare attorney before signing.**

2. The QBI Deduction Cliff — Dental Is an SSTB

Dental practices are classified by the IRS as a “Specified Service Trade or Business” (SSTB) under Section 199A, the same category as medical, legal and accounting practices. This matters because the valuable 20% pass-through (QBI) deduction shrinks and then disappears entirely as taxable income rises. 2026 figures:

Filing status	Deduction starts shrinking above	Deduction fully gone above
Single / Head of household	\$201,750	\$276,750
Married filing jointly	\$403,500	\$553,500

Above the upper figure, an SSTB gets zero QBI deduction, regardless of how the practice is structured. Many other small businesses only see the deduction reduced at high income; for dental practices it can vanish completely.

Why this matters for planning. Many dentists don’t learn about this cliff until their accountant delivers the bad news at filing time. Proactive planning, such as timing equipment purchases, retirement contributions or entity elections, needs to happen well before year-end, not after.

3. Associate vs. Owner — Getting Classification Right

A frequent, costly mistake in dental practices is misclassifying associate dentists.

- An associate dentist working set hours, using the practice’s equipment and staff, under the owner’s direction, is generally a W-2 employee, not a 1099 contractor.
- Misclassifying an associate as a 1099 contractor can trigger back payroll taxes, penalties and interest if the IRS or your state’s labor agency (in Washington, L&I) reclassifies the relationship.
- A genuine independent contractor relationship requires real independence: their own equipment, their own scheduling control, and the ability to work for other practices.

4. Equipment & Major Purchase Planning

Dental equipment such as chairs, X-ray and imaging systems, CEREC/CAD-CAM units and sterilization equipment typically qualifies for Section 179 expensing or bonus depreciation, letting you deduct the full cost in the year of purchase rather than over many years.

- Timing a major equipment purchase can help manage taxable income, which matters even more given the QBI cliff above.
- Keep detailed records distinguishing equipment (depreciable) from supplies (immediately deductible) for accurate bookkeeping.

5. Cash Flow & Insurance Reimbursement

Dental practices often bill insurance directly, creating a gap between when a service is performed and when payment arrives.

- Accrual-basis accounting typically gives a more accurate financial picture than cash-basis, since it recognizes revenue when earned rather than when insurance eventually pays.
- Track accounts receivable by payer to spot slow-paying insurers early.
- Budget for payroll (hygienists, dental assistants, front office) independent of insurance payment timing; payroll doesn't wait for reimbursement.

6. Retirement Planning — A Genuine QBI Strategy

Because retirement contributions reduce taxable income, they can be a meaningful tool for staying under the SSTB phase-out range discussed above, not just a savings vehicle.

- **Solo 401(k):** up to \$72,000 in 2026 (\$80,000 at age 50 and over; \$83,250 at ages 60 to 63, with catch-up contributions).
- **Defined benefit / cash balance plans:** practice owners over 45 can often deduct well over \$100,000 per year, scaling with age, as set by the plan's actuary; particularly relevant for established practices near the QBI ceiling.

7. Practice Transitions

Many dentists eventually buy into, sell or merge a practice. A few basics worth knowing going in:

- Practice sales typically involve allocating the purchase price between tangible assets (equipment) and intangible assets (goodwill, patient records); each is taxed differently.
- Goodwill in a practice sale is generally taxed at more favorable capital gains rates, not ordinary income rates.
- Buy-in valuations should be reviewed by both a dental-specific CPA and an attorney; this is not a do-it-yourself calculation.

8. State & Local Business Taxes

State taxes on a dental practice vary widely: some states tax income, some tax gross receipts, and some cities add their own business taxes. Know which ones apply to your practice before you set prices and budgets.

FOR WASHINGTON PRACTICES

B&O tax: Dental practices generally fall under the “Service and Other Activities” classification. The rate depends on your practice’s gross receipts in this classification from the prior year:

Prior-year gross receipts (this classification)	State B&O rate
Under \$1 million	1.5%
\$1 million to \$5 million	1.75%
Over \$5 million	2.1% (since October 1, 2025)

- Many cities, including Seattle, charge their own B&O tax on top of the state rate.
- B&O is based on gross revenue, not profit, so it applies even in a slow or break-even month.
- Washington has no personal or corporate income tax, which partly offsets the B&O cost compared with income-tax states.

Practicing outside Washington? State rules on practice ownership, entity type and business taxes vary. Contact us about the rules in your state.

How we help practices, all year

- **Tax filing:** practice and owner returns, quarterly estimates and state business taxes.
- **Tax planning:** year-end strategy, entity and S-corp review, retirement and equipment timing.
- **Bookkeeping & financial health:** monthly books, insurance-payment and receivables review, and a yearly deadline calendar.

Ready for guidance built around your practice?

AviTaxes & Accounting Solutions offers bilingual (English/Spanish) tax and bookkeeping guidance for healthcare practices, informed by direct experience in dentistry and clinic administration.

Book a free 15-minute consultation to see where your practice stands: [avitaxes.com](https://www.avitaxes.com) · avitaxes@gmail.com · (206) 609-0816

Also free from AviTaxes: the “7 Reasons Insurance Claims Get Denied” checklist and the 2027 Tax Calendar for Dental & Medical Practices, at [avitaxes.com](https://www.avitaxes.com).

Figures in this guide (rates, limits, thresholds) are current as of October 2026. They change, so verify current figures before acting on a specific number.

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