

June 12, 2023

The Honorable Jason Smith
Chairman, Committee on Ways & Means
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, Committee on Ways & Means
1129 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

On behalf of the more than 159,000 dentist members of the American Dental Association, I am writing to provide you with the priorities of America's dentists on tax policy. The ADA applauds your efforts to improve our current tax system to make it simpler, fairer, and more growth-oriented, and thanks the Ways and Means Committee for marking up bills with these goals. We also appreciate your leadership on other growth-oriented policy that benefits small businesses.

Most dental practices are small businesses. Some are organized as pass-through entities or S Corporations, and others are organized as C Corporations. Because of the diversity of business organizations in the dental community, the ADA's interests straddle both the business and individual portions of the tax code. Below is a brief overview of the tax-related matters that are of highest importance to ADA members.

1. **Pass-through-entities:** The ADA supports the fair treatment of business income generated by passthrough entities, since as was previously stated, many dental practices are organized as pass-through entities. The ADA supports the Main Street Tax Certainty Act, which would make the Section 199A 20 percent deduction created by the Tax Cuts and Jobs Act, scheduled to sunset at the end of 2025, permanent. Without this deduction, S corporations would be subject to a tax rate far out of parity with C corporations, leading to an uncertain future for many small business dental practices.
2. **Use of pre-tax dollars for health care:** The ADA supports expansion and increased flexibility of health savings accounts (HSAs) and flexible spending accounts (FSAs), as well as preservation of the current tax exclusions for employer-provided medical and dental plans. Specifically, the Association supports returning the FSA limits to the pre-ACA level of \$5,000 and continuation of the index to inflation provision. Currently, FSA reimbursement is limited to \$3,050 for 2023. The ADA believes the reduced amount is a step back for consumers when the cost of health care continues to increase and adversely impacts the patient's choices for dental care.

The ADA also supports legislation that would treat oral healthcare products as paid for medical care for purposes of eligibility for health savings account (HSA) and flexible spending account (FSA) reimbursement, as well as making oral healthcare products as eligible for reimbursement by Archer medical savings accounts (MSAs). Oral healthcare products are not only essential for good oral health, but for health in general. Americans should not be taxed on products like toothbrushes, toothpaste, and dental floss that are necessary for maintaining their health.

3. **Expensing:** The ADA supports maintaining full expensing of investments in equipment and property, particularly for small businesses. Allowing businesses to immediately expense their investments increases dentists' ability to grow their practices and provide better care for their patients by utilizing the most up-to-date advances in dentistry.

Consistent with this policy, the ADA supports the Small Business Growth Act, legislation that would build on Section 179 of the Internal Revenue Code and portions of the 2017 Tax Cuts and Job Growth Act dealing with deductions for qualifying equipment by lifting the deduction cap to \$2 million with a phase out at \$3.5 million.

4. **Cash Accounting:** The ADA supports the continued use of the cash method of accounting for small businesses, including pass-through entities and professional service corporations. The cash method of accounting is a simpler, fairer system for dentists who often must wait a significant period of time before being reimbursed by insurance companies for the services they provide. In addition, dentists, particularly orthodontists, frequently provide patients with extended payment plans for services, which delays payment for work performed.
5. **Higher Education Incentives:** New dentists today are saddled with an average of over \$300,000 in student loan debt. This debt impacts their practice decisions, including whether to work in research, dental education, or in underserved areas. It also affects dentists' ability to provide charitable care or pursue post-doctoral education. The ADA encourages lawmakers to include measures that would help relieve this significant debt load when considering options for streamlining the current patchwork of higher education tax incentives.

Thank you again for the opportunity to comment on tax issues of importance to ADA members, and for the Ways and Means Committee's attention to these issues. Please do not hesitate to contact Megan Mortimer at 202-898-2402 or at mortimerm@ada.org if you or your staff have any questions or would like additional information.

Sincerely,

George R. Shepley, D.D.S.
President

Raymond A. Cohlma, D.D.S.
Executive Director

GRS:RAC:mm