July 14, 2017

The Honorable Orrin Hatch, Chairman  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman,

I am writing to you on behalf of the more than 161,000 dentists who are members of the American Dental Association (ADA). We are responding to your June 16, 2017, letter requesting input from interested stakeholders on tax reform. The ADA applauds your efforts to improve our current tax system to make it simpler, fairer, and more growth-oriented. The Association looks forward to working with you in the coming months to achieve comprehensive reform of our nation’s tax code.

For the most part, dental offices are small businesses. Some are organized as pass-through entities or S Corporations, others as C Corporations. For this reason, our 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 dentists and our patients.

1. **Cash Accounting:** 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.

2. **Pass-through Entities:** ADA supports the fair treatment of business income generated by pass-through entities. As previously stated, many dental practices are organized as pass-through entities. As Congress looks to reduce the tax rate on C corporations, ADA encourages you also to consider a rate reduction for S corporations or pass-through entities that are taxed at the individual rate.

3. **Higher Education Incentives:** Dentists just starting a practice today are saddled with an average of $261,149 of student loan debt. This debt impacts their practice decisions, including whether to work in research, dental education, or in underserved areas. It also affects their ability to provide charitable care or pursue post-doctoral education. ADA encourages lawmakers to consider measures that would help relieve this significant debt load when considering options for streamlining the current patchwork of higher education tax incentives.

4. **Use of Pre-Tax Dollars for Health Care:** 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 $2,550 for 2017. 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.

Thank you again for the opportunity to comment on tax issues of importance to dentists and dental patients. Please do not hesitate to contact Megan Mortimer, Congressional Lobbyist for the ADA, at 202-898-2402 if you or your staff have any questions or would like additional information.

Sincerely,

/s/          /s/
President              Executive Director

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