WILLIAMS GROUP

Tax Updates Every Optometrist Needs to Know

Why 2025 Tax Updates Matter for Optometrists

Agenda

Why 2025 Tax Updates Matter for Optometrists

Whether you are just opening a new practice or have been running an optometry clinic for years, understanding the latest tax changes can make a significant difference in your financial success. Taxes are one of the largest expenses for business owners, and without proper planning, you could be leaving money on the table—or worse, paying more than you should. The IRS has made key updates for 2025 that will impact optometry practices, and staying informed is the first step in ensuring you maximize savings and minimize tax liabilities.

Beyond compliance, tax planning is about **strategically positioning your business for long-term success.**

Knowing what deductions you qualify for, how to structure your practice, and when to make major financial decisions can help you significantly reduce your tax burden. A well-planned tax strategy allows you to reinvest more money into your practice, hire staff, expand services, and ultimately grow your business.

Not taking the time to understand tax law changes can lead to unnecessary penalties, missed opportunities, and financial inefficiencies. By proactively adjusting your financial approach, you can not only ensure compliance but also unlock significant financial benefits. This guide will walk you through the key tax updates for 2025 and actionable steps to take now.

Tax Cuts + Jobs Act (TCJA) Expiration

What's Next?

One of the most significant tax-related issues looming over 2025 is the expiration of the **Tax Cuts and Jobs Act (TCJA)** at the end of the year. This landmark tax reform law, enacted in 2017, introduced sweeping changes to tax brackets, deductions, and business tax benefits. Many of these provisions, including the lowered individual tax rates, the expanded standard deduction, and the increased Section 179 expensing limits, are set to expire unless Congress takes action.

What does this mean for optometrists? Simply put, **we don't know what the next set of tax policies will look like.** The expiration of the TCJA could result in higher tax rates, reduced business deductions, and less favorable tax treatment for pass-through entities like S-Corps. This uncertainty makes **having an expert in your corner more important than ever.** Tax laws change constantly, and the best way to ensure you are taking advantage of every opportunity is to work with a CPA who stays ahead of the changes and understands how they specifically impact optometrists.

With so many variables at play, proactive tax planning will be even more **critical** in 2025. Instead of waiting for new policies to take shape, **start strategizing now** to make the most of the tax benefits currently available. This could include maximizing deductions before potential restrictions are reinstated, evaluating business structure changes, and staying prepared for possible tax increases.

Business Tax Updates for Optometry Practices

Whether you're launching a new optometry practice or managing an established clinic, it's critical to understand how business taxes will impact your bottom line. **Here are some key updates for 2025:**

Bonus Depreciation Phase-Out

If you're planning to invest in equipment or office space, note that 100% bonus depreciation is being phased out. In 2025, the deduction rate will be reduced to **80% from 100%** in 2024, making it more important to time your purchases strategically. If you purchase expensive diagnostic equipment or office furniture, you may not be able to deduct the full cost upfront as you could in previous years. Instead, you may need to spread the deduction over multiple years through regular depreciation schedules.

Qualified Business Income Deduction (QBI) Adjustments

If your practice is structured as an S-Corp or another pass-through entity, be aware of potential changes in QBI deductions that may impact how much of your income qualifies for the **20% deduction.** The **income cap for full deduction eligibility is projected to be $389,000 for joint filers, up from $364,200 in 2024.**

Retirement Plan Contributions

Contribution limits for retirement plans such as SEP IRAs and Solo 401(k)s have increased. For 2025, **the contribution limit for Solo 401(k)s is now $69,000, up from $66,000 in 2024.**

Start-Up Costs and Section 179 Deductions

Section 179 deduction **limit for 2025 has increased to $1.22 million, up** from $1.16 million in 2024.

New IRS Enforcement Priorities

The IRS has increased funding for audits and tax enforcement, meaning that small businesses, including optometry practices, may face higher scrutiny.

Personal Tax Changes for Optometrists

Your personal tax situation will also be affected by new tax laws, making it crucial to plan ahead and take advantage of available deductions and credits. See the following pages to know what's changing in 2025 and how it impacts optometrists.

Standard Deduction Increase

The standard deduction for 2025 is increasing, which may affect whether you choose to itemize deductions or take the standard amount. The new limits are:

$30,000

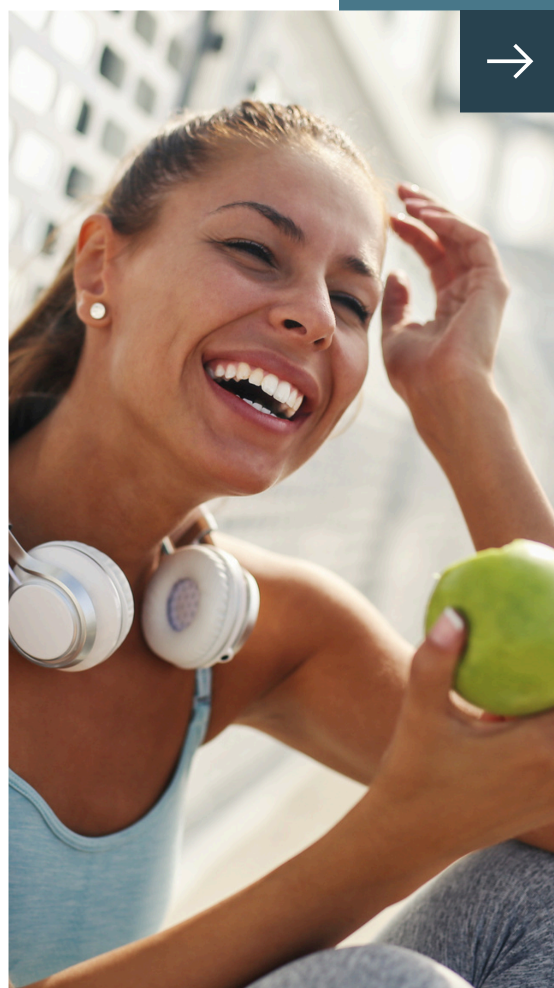
Married couples filing jointly
An increase of $800 from 2024.

$15,000

Single filers & Married filing separately
An increase of $400 from 2024.

$22,500

Heads of household
An increase of $600 from 2024.



For many optometrists, itemizing deductions could still be beneficial if mortgage interest, charitable donations, and state/local taxes exceed the standard deduction.

Tax Bracket Adjustments

Due to inflation adjustments, tax brackets have shifted in 2025, potentially lowering tax liabilities for some filers. For example, the **22% tax bracket** now applies to income between:

$94,300 and $201,050

For Joint Filers
Up from $89,450 and $190,750 in 2024

$47,150 and $100,525

For Single Filers
Up from $44,725 and $95,375 in 2024

If your income fluctuates, planning year-end deductions and contributions can help you stay within lower tax brackets and reduce taxable income.

Home Office Deduction

Optometrists who work from home for administrative tasks, patient scheduling, or tele-health services may qualify for the **home office deduction.** To claim this, the workspace must be **used exclusively and regularly for business.**

The deduction can be calculated in two ways:

Simplified Method

Deduct **$5 per square foot** (up to 300 sq. ft., up to a maximum deduction of $1,500).

Actual Expense Method

Deduct a portion of rent, mortgage interest, property taxes, utilities, and insurance based on the percentage of home space used for business.

Proper documentation is essential to support the deduction and avoid IRS scrutiny.

Tracking Mileage for Business Use

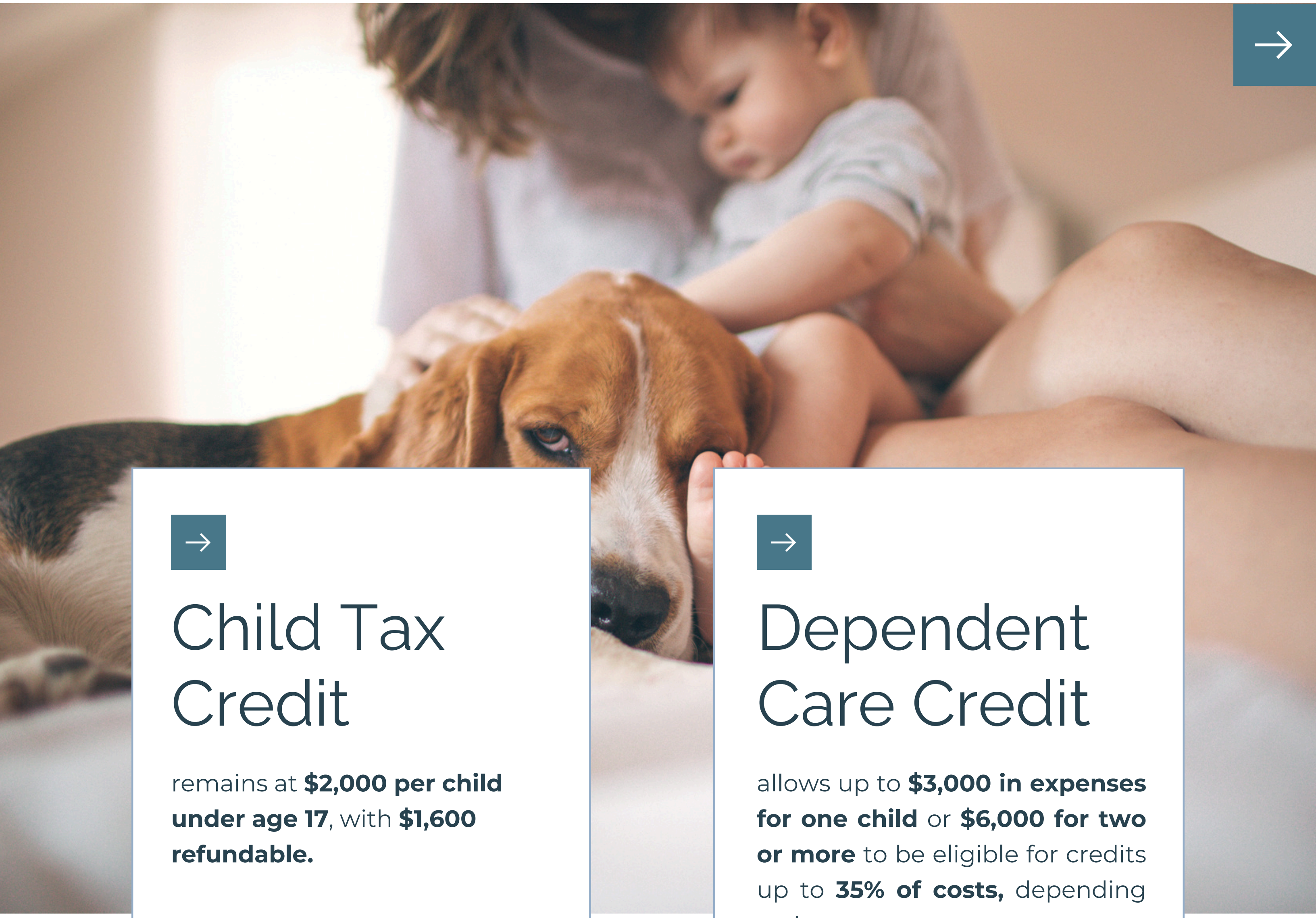
If you use your vehicle for business-related activities, such as traveling between clinic locations, attending conferences, or visiting vendors, you may qualify for a **mileage deduction.** The 2025 IRS mileage rates are:

- $0.70 **per mile for business use** (up from $0.655 in 2024)
- $0.21 **per mile for medical use** (up from $0.20 in 2024)

To maximize this deduction, maintain a detailed log of business-related miles, including date, purpose, and starting/ending odometer readings. Using apps like MileIQ or QuickBooks Self-Employed can automate tracking.

Child Tax Credit and Dependent Care Credit

For optometrists with families, tax credits can provide substantial savings:



Child Tax Credit

remains at **$2,000 per child under age 17**, with **$1,600 refundable.**

Dependent Care Credit

allows up to **$3,000 in expenses for one child** or **$6,000 for two or more** to be eligible for credits up to **35% of costs,** depending on income.

By leveraging these updates, optometrists can optimize their personal tax strategy and retain more earnings in 2025.

Proactive Tax Strategies for Optometrists

Optimize Your Salary as an S-Corp Owner

One of the biggest mistakes optometrists make is **paying themselves too much or too little when operating as an S-Corp.** Overpaying results in excessive payroll taxes, while underpaying could trigger IRS scrutiny. The IRS requires that you take a "reasonable salary" based on industry norms.

In 2025, the Social Security wage base is increasing to **$176,100,** up from **$160,200 in 2024,** meaning more of your salary could be subject to payroll taxes if set too high. Working with a CPA can help you determine the optimal balance between salary and distributions to reduce tax liability while staying compliant.

Leverage Business Deductions

Maximizing business deductions is one of the most effective ways to reduce taxable income. In 2025, the **Section 179 deduction limit** increased to **$1.22 million, up from $1.16 million in 2024,** allowing optometrists to deduct the full cost of eligible equipment purchases such as exam tools, computer systems, and office furniture instead of depreciating over several years.

Additionally, leasehold improvements, such as practice renovations, may also qualify. Ensuring that all expenses are properly documented can significantly lower taxable income and improve cash flow.

Utilize Retirement Plans and HSAs

Contributing to tax-advantaged retirement accounts is a powerful way to lower taxable income while building long-term wealth.

In 2025, the **401(k) contribution limit has increased to $23,500,** up from $22,500 in 2024, with an additional **$7,500 catch-up contribution** for those over 50.

Optometrists who are self-employed may also consider a **SEP IRA,** which allows for contributions of up to **25% of net earnings, capped at $69,000.**

Health Savings Accounts (HSAs) remain a valuable tool for those with high-deductible health plans, with annual contribution limits of **$4,150 for individuals and $8,300 for families in 2025, up from $3,850 and $7,750 in 2024**.

Health Savings Accounts (HSAs) provide **triple tax benefits:** 1. contributions are tax-deductible, 2. growth is tax-free, 3. and withdrawals for qualified medical expenses are tax-free.

By implementing these strategies, optometrists can take control of their tax liabilities, improve financial stability, and maximize their savings for both immediate and future needs.

Advanced Tax Strategies for Optometrists

1 Cost Segregation Studies

What It Is: A cost segregation study is an engineering-based analysis that identifies and reclassifies personal property assets to shorten the depreciation time for taxation purposes.
Benefits: By accelerating depreciation, optometrists can increase cash flow and reduce current tax liabilities.
Application: Ideal for those who have recently purchased, constructed, or renovated their practice facilities.

2 Tax Loss Harvesting

What It Is: Tax loss harvesting involves selling securities at a loss to offset capital gains and reduce taxable income.
Benefits: Helps in managing investment portfolios and minimizing taxes on capital gains.
Application: Particularly useful for optometrists with significant investment portfolios.

3 Charitable Giving Strategies

Donor-Advised Funds (DAFs): Contribute to a DAF to receive an immediate tax deduction and recommend grants to charities over time.
Charitable Remainder Trusts (CRTs): Set up a CRT to receive income for a specified period, with the remainder going to charity, providing both income and tax benefits.

4 Estate Planning and Trusts

Revocable Living Trusts: Helps in managing assets during your lifetime and distributing them after death without going through probate.
Irrevocable Life Insurance Trusts (ILITs): Removes life insurance from your taxable estate, providing liquidity to pay estate taxes and other expenses.

Case Studies + Real-Life Examples

Case Study 1: Maximizing Deductions through Strategic Purchases

Scenario:
Dr. Smith, an optometrist, plans to purchase new diagnostic equipment.

Strategy:
By timing the purchase to take advantage of the remaining bonus depreciation and Section 179 deductions, Dr. Smith significantly reduces his taxable income for the year.

$20,000

Outcome:
Dr. Smith saves $20,000 in taxes, which he reinvests into his practice.

Scenario: Dr. Smith, an optometrist, plans to purchase new diagnostic equipment.
Strategy: By timing the purchase to take advantage of the remaining bonus depreciation and Section 179 deductions, Dr. Smith significantly reduces his taxable income for the year.
Outcome: Dr. Smith saves $20,000 in taxes, which he reinvests into his practice.

Case Study 2: Optimizing Business Structure for Tax Efficiency

Scenario:
Dr. Johnson operates his practice as a sole proprietorship.

Strategy:
After consulting with a CPA, Dr. Johnson restructures his practice as an S-Corp, allowing him to take a reasonable salary and distributions.

$15,000

Outcome:
Dr. Johnson reduces his self-employment taxes by $15,000 annually.

Scenario: Dr. Johnson operates his practice as a sole proprietorship.
Strategy: After consulting with a CPA, Dr. Johnson restructures his practice as an S-Corp, allowing him to take a reasonable salary and distributions.
Outcome: Dr. Johnson reduces his self-employment taxes by $15,000 annually.

Case Study 3: Leveraging Retirement Plans for Tax Savings

Strategy:
Dr. Lee contributes the maximum allowable amount to his Solo 401(k) and makes catch-up contributions.

Scenario:
Dr. Lee wants to maximize his retirement savings while reducing his current tax liability.

$69,000

Outcome:
Dr. Lee reduces his taxable income by $69,000 and secures his financial future.

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Strategy: Dr. Lee contributes the maximum allowable amount to his Solo 401(k) and makes catch-up contributions.
Outcome: Dr. Lee reduces his taxable income by $69,000 and secures his financial future.

Case Study 4: Enhancing QBI Deduction through Sales Restructuring

Scenario:
Dr. Williams, a married physician with $400,000 taxable income initially faces severe QBI deduction limitations as an SSTB.

Strategy:
Dr. Williams restructures his business to shift 60% of sales to retail operations, which aren't subject to SSTB limits.

$33,696

Outcome:
This move increases his QBI deduction by approximately $33,696, substantially reducing his taxable income.

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Strategy: Dr. Williams restructures his business to shift 60% of sales to retail operations, which aren't subject to SSTB limits.
Outcome: This move increases his QBI deduction by approximately $33,696, substantially reducing his taxable income.

Table of Case Studies

Case Study	Scenario	Strategy	Tax Savings Outcome
Maximizing Deductions through Strategic Purchases	Dr. Smith needs new diagnostic equipment.	Time equipment purchase to utilize bonus depreciation and Section 179 deductions before year-end.	Saves $35,000 in taxes, allowing significant reinvestment into his practice.
Optimizing Business Structure for Tax Efficiency	Dr. Johnson initially runs his practice as a sole proprietorship.	Restructured practice as an S-Corp to split income between reasonable salary and distributions to reduce self-employment tax.	Reduces self-employment taxes by $15,000 per year, easing the tax burden at higher income levels.
Leveraging Retirement Plans for Tax Savings	Dr. Lee wants to maximize retirement savings and reduce current taxes.	Contribute the maximum allowable amount to his Solo 401(k), including catch-up contributions, to lower taxable income.	Lowers taxable income by $69,000, yielding an estimated $24,150 in tax savings while bolstering retirement funds.
Enhancing QBI Deduction through Sales Restructuring	Dr. Williams, a married OD with $400,000 taxable income, originally qualifies as a Specified Service Trade or Business (SSTB), limiting his QBI deduction.	Work with The Williams Group to restructure income by shifting 60% of sales to retail operations (non-SSTB) and keeping 40% as SSTB.	Dr. Williams increased QBI deduction by $33,696, from roughly $23,840 to approximately $57,536, substantially reducing his taxable income.

Action Plan: What to Do Now

Taking proactive steps now can help you maximize tax savings, reduce liabilities, and set your optometry practice up for long-term success. **Here's what you should do next:**

Schedule a Tax Strategy Session

Meet with a CPA who specializes in working with optometrists to review your current financial position and identify opportunities for tax savings. This session should cover:

- How to maximize deductions specific to your practice (equipment, office space, CE courses, etc.)
- Whether your compensation structure is optimized for tax efficiency,
- Opportunities to defer income or accelerate expenses before the year-end.

Review Your Business Structure

Your entity type directly impacts how much you owe in taxes, how you pay yourself, and your overall financial flexibility. Review your current structure (S-Corp, C-Corp, Partnership, or Sole Proprietor) to determine if:

- You are minimizing self-employment taxes effectively.
- You qualify for the 20% Qualified Business Income (QBI) deduction.
- You're protecting yourself legally while maintaining tax efficiency.

Adjust Salary & Retirement Contributions

If you're an S-Corp owner, ensure your salary is "reasonable" while keeping FICA taxes in check. Additionally, consider:

- Maximizing 401(k), SEP IRA, or cash balance plan contributions to reduce taxable income.
- Implementing a retirement plan that benefits you and your employees while providing tax advantages.
- Timing end-of-year bonuses strategically to manage your tax bracket.

Track and Maximize Deductions

Proper record-keeping ensures you don't leave money on the table. Stay on top of:

- Business-related travel, meals, and continuing education expenses.
- Home office deductions, especially if you work remotely for administrative tasks.
- Equipment purchases; understanding when to use Section 179 vs bonus depreciation for optimal write-offs.

Stay Updated & Avoid Pitfalls

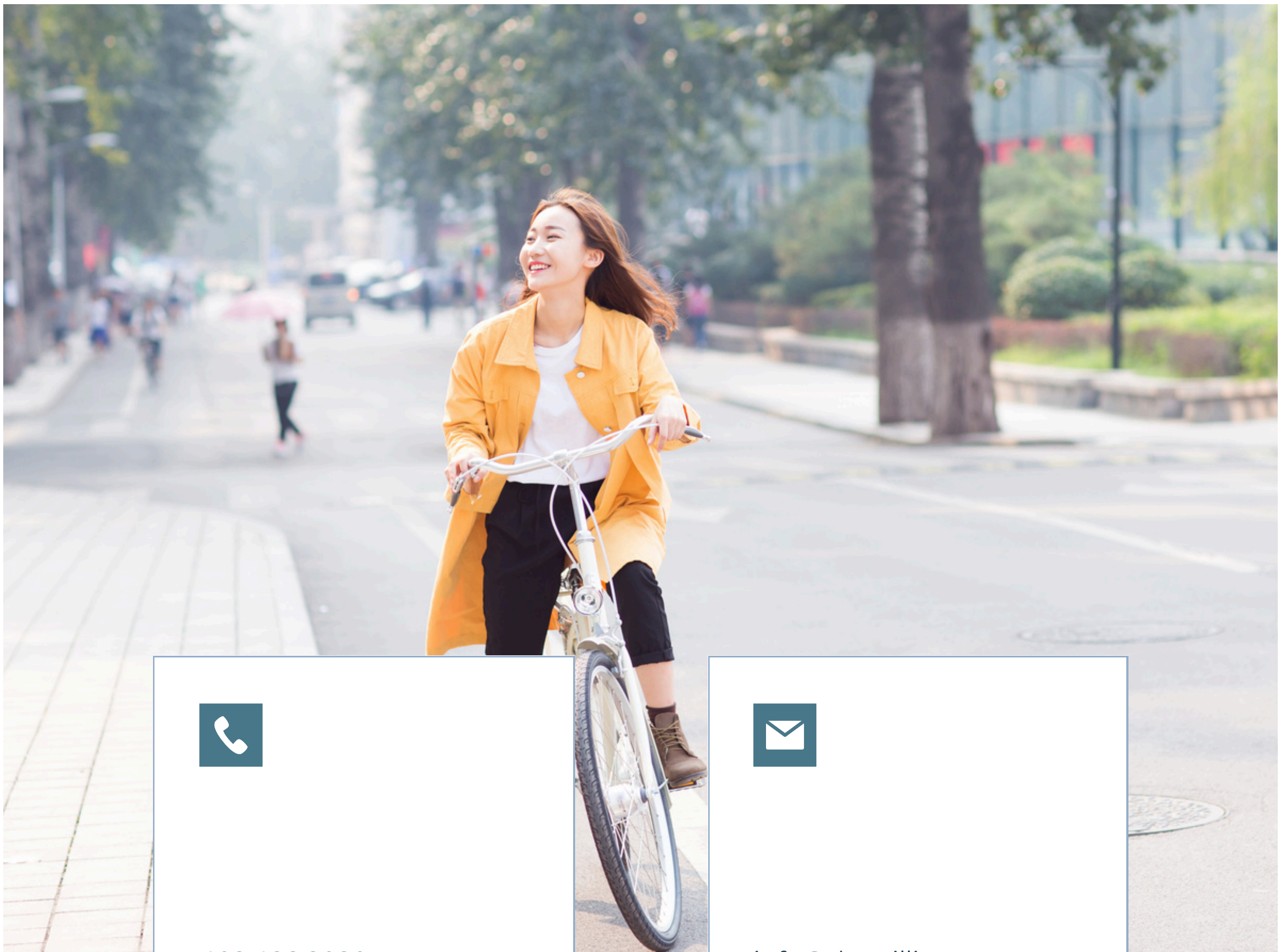
Tax laws are constantly evolving, and missing an update could cost you thousands. Stay ahead by:

- Subscribing to tax updates or working with an optometry-specific CPA who monitors changes for you.
- Avoiding common mistakes like overpaying self-employment taxes or underreporting income.
- Planning quarterly estimated tax payments correctly to avoid penalties.

By taking these steps now, you'll ensure that you're not only compliant but also maximizing the financial benefits available to your optometry practice.

Contact Us

Let’s Talk - Schedule a Free Consultation Today



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Don’t navigate tax planning alone — The Williams Group team specializes in helping optometrists maximize savings and stay IRS-compliant.

Schedule a consultation with **our CPAs** today to discuss how you can **take advantage of 2025’s tax updates** to set your practice up for success.