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Internal Billing Company

It is my pleasure to illustrate for you how an internal billing company (BC) might work in terms of cash flow:

	<u>Status Quo</u>	<u>With A Billing Company</u>	
		<u>Income</u>	<u>Tax</u>
Operating Profit – Before Billing Fee	1,000,000	1,000,000	
Less: Billing Fee	<u>0</u>	<u>< 60,000 ></u>	
Profit Net of Billing Fee	<u>1,000,000</u>	<u>940,000</u>	
Taxable Income Per Owner-Physician	<u>250,000</u>	<u>235,000</u>	
Income Tax at 35% Federal and 4% State	97,500		91,725
Plus: Medicare Tax of 2.9% - Parents	7,250		6,815
Income of Each Child From Billing Company		<u>15,000</u>	
10% Federal and 4% State - Kids	0		2,100
Plus: Self Employment Tax of 13.3%- Kids	<u>0</u>		<u>1,995</u>
Combined Tax Burden – Each Physician	<u>104,750</u>		<u>102,640</u>

Family Unit

The savings is just over \$2,000.00 per year, per physician-family. Tax preparation fees and registration would run about \$300.00 per physician-family.