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**LIST OF SUBSTANTIVE CHANGES AND ADDITIONS
PPC’s GUIDE TO PHYSICIANS AND OTHER HEALTH CARE PROFESSIONALS
Twenty-ninth Edition (October 2018)**

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC’s Guide to Physicians and other Health Care Professionals*:

- **Compilation and Review Engagements.** In May 2018, the ARSC issued SSARS No. 24, *Omnibus Statement on Standards for Accounting and Review Services—2018*. Your *Guide* has been updated throughout for the applicable provisions of SSARS No. 24, and all AR-C references have been revised as needed. In addition, your *Guide* has been updated throughout to incorporate the revised guidance in the 2018 edition of the AICPA Guide: *Preparation, Compilation, and Review Engagements* and to incorporate the practice issues discussed in the newest edition of the AICPA Alert: *Developments in Preparation, Compilation, and Review Engagements*.
- **Accounting Literature and Disclosure Checklists.** We’ve completely updated your *Guide* for relevant FASB pronouncements issued since the prior year’s edition. Procedures checklists and guidance have been updated for all recently issued accounting standards that impact your engagements. We’ve also completely updated your cash and tax basis disclosure checklists for changes in requirements of the professional standards through (approximately) October 31, 2018, to help ensure that your physician client’s financial statements are accurate and complete.
- **Updated Tax and Regulatory Guidance.** When providing tax and retirement planning services for your physician clients, it is essential that you have the most current information available. Discussions and examples throughout your *Guide* have been updated for the most current IRS tax forms, rates, threshold amounts, and retirement plan limits to provide you with the confidence that your resources are thoroughly up-to-date. In addition, although you are not engaged to render legal advice to your physician clients, it is crucial that you understand the issues involved so you can deliver practical and timely health care practice management advice. This *Guide* includes an updated discussion of current legal and regulatory developments to help you navigate the complexities of health care and offer value-enhancing services to your physician clients.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
GENERAL	1. Updated the references and guidance throughout for SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> .	Throughout
CHAPTER 1 Providing Services to Physicians and Other Health Care Professionals—An Introduction	1. Updated the discussion of the status of the health care industry, including the Health Savings Accounts deductible limitations. 2. Added a footnote for a project to reform Stark regulations. 3. Updated the discussion on the Health Care Reform Acts.	Section 102 Paragraph 102.5, footnote 1 Section 103

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Engagement Administration	4. Updated the “Sources of Additional Information on Health Care Reform.”	Exhibit 1-1
	1. Updated the discussion on the AICPA’s Peer Review Integrated Management Application (PRIMA) system.	Paragraph 201.26
	2. Updated the listing of issues noted in recent peer review reports.	Exhibit 2-3
	3. Added a discussion on addressing the engagement letter.	Paragraph 203.5
	4. Revised the effective date of the new independence interpretation on hosting services.	Paragraph 207.26
	5. Revised the instructions to discuss the various parts included in the form.	Appendix 2F
CHAPTER 3 Bookkeeping and Payroll Services	6. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendix 2F
	1. Updated the discussion on when the cash basis of accounting method is available, for changes due to the Tax Cuts and Jobs Act.	Paragraph 301.7, footnote 1
	2. Updated the Form 941 preparation checklist for 2019 form changes.	Appendix 3D
	3. Updated the Form 940 preparation checklist for 2018 changes.	Appendix 3F
	4. Updated the Form W-2 preparation checklist for 2018 changes.	Appendix 3G
	5. Updated the FUTA tax worksheet to reflect 2018 wage limits.	Appendix 3J
CHAPTER 4 Compilation and Review Procedures and Checklists	6. Updated the Form 944 preparation checklist for 2018 changes.	Appendix 3L
	1. Streamlined the discussions to emphasize content relevant to compilation and review engagements.	Throughout
	2. Updated for the issuance of SSARS No. 24.	Throughout
	3. Updated for the issuance of the 2018 edition of the AICPA Guide: <i>Preparation, Compilation, and Review Engagements</i> .	Throughout
	4. Expanded the list of compilation and review literature to include AR-C 120.	Paragraph 401.3
	5. Updated the discussion of the engagement conduct standards for recent changes.	Paragraphs 401.4–.7
	6. Updated the discussion on Quality Control Standards.	Paragraphs 401.8–.9
	7. Added a discussion on the Guide’s “Trial Balance Preparation Checklist” at Appendix 4D.	Paragraph 402.16
	8. Updated the discussion of recent SSARS developments to include the SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> .	Paragraph 403.10
9. Expanded the discussion on required workpapers for a compilation engagement.	Paragraphs 405.5–.6	

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	10. Expanded the discussion on required workpapers for a review engagement.	Paragraphs 405.7–.11
	11. Added a practical consideration on addressing the engagement letter.	Appendix 4A
	12. Updated a note for financial statements omitting substantially all disclosures and the statement of cash flows.	Appendix 4A
	13. Revised the engagement letter practical considerations on supplementary information.	Appendix 4A
	14. Added a practical consideration on adding supplementary information in the “Our Report” section of the engagement letter.	Appendix 4A
	15. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendix 4B
	16. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendix 4E
	17. Updated the disclosure checklists for disclosure and presentation requirements of new accounting standards issued through October 31, 2018.	Appendixes 4H and 4I
	18. Redesigned the “Routing Instructions for Processing Financial Statements” form to simplify the form and include a section for financial statements drafted and typed by the firm and another section for financial statements printed from the accounting software.	Appendix 4J
CHAPTER 5 Financial Statement Presentation	1. Updated the information on a FASB project that would provide an accounting alternative to exempt private companies from the requirement to apply the VIE guidance.	Paragraph 505.20
	2. Updated for FASB ASC 606, <i>Revenue from Contracts with Customers</i> .	Paragraph 505.22
	3. Updated for ASU 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> .	Paragraphs 505.41–.43
	4. Reorganized and streamlined the discussion on going concern uncertainty.	Paragraphs 505.58–.68
	5. Updated the summary of significant accounting policies in the illustrative financial statements for FASB ASC 606, <i>Revenue from Contracts with Customers</i> .	Appendix 5B
CHAPTER 6 Reporting on Financial Statements	1. Revised the discussion on the use of additional, emphasis-of-matter, and other-matter paragraphs.	Paragraphs 602.22–.28
CHAPTER 7 Tax and Form Entity Considerations	1. Updated for the Tax Cuts and Jobs Act (TCJA).	Throughout
	2. Updated the individual income tax rates for 2018.	Exhibit 7-1
	3. Noted that the TCJA has reduced tax rates for businesses and individuals.	Paragraph 700.3

Chapter**Substantive Changes and Additions****Reference**

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| 4. | Noted that the TCJA introduced a new qualified business income deduction for owners of passthrough entities and sole proprietorships and noted that the deduction is not allowable on income from specified service trades or businesses (SSTBs), which include most medical practices. | Paragraphs 700.4–.5 |
| 5. | Noted that the federal corporate income tax rate for 2018 has been reduced to a flat 21% for all corporations, including personal service corporations. | Paragraph 700.7 |
| 6. | Updated the discussion on selecting the legal form of practice entity for changes due to the implementation of the TCJA. | Paragraphs 701.8–.9 |
| 7. | Updated the discussion on deciding to incorporate to reflect the 2018 top individual income tax rate (37%) and the corporate flat federal tax rate (21%). | Paragraph 702.4 |
| 8. | Updated the “Analysis of Corporate Accumulation” exhibits to reflect 2018 income tax rates. | Exhibits 7-2 and 7-3 |
| 9. | Updated the discussion on personal service corporations for changes due to the implementation of the TCJA. | Section 703 |
| 10. | Updated amounts of Section 179 limits. | Paragraph 703.34 |
| 11. | Updated the illustration of Section 179 Deduction PSC with Investment Income exhibit. | Exhibit 7-4 |
| 12. | Updated the additional first-year depreciation discussion for changes due to the implementation of the TCJA. | Paragraph 703.39 |
| 13. | Updated the Illustrations of Failure to Make Required Payments under Section 280H. | Exhibits 7-5 and 7-6 |
| 14. | Updated the Illustration of the Cost of liquidating a PSC for changes due to the implementation of the TCJA. | Exhibit 7-7 |
| 15. | Updated the Illustration of the Cost of Incorporating a PSC for Social Security wage limits in 2018. | Exhibit 7-8 |
| 16. | Updated the “kiddie tax” threshold for 2018 limit. | Paragraph 704.12 |
| 17. | Updated the Illustration Comparing After-Tax Income for a C Corporation and S Corporation for Social Security wage limits in 2018. | Exhibit 7-9 |
| 18. | Updated amounts in the discussion of health and long-term care insurance. | Paragraphs 707.7–.10 |
| 19. | Updated amounts in the discussion of medical savings accounts. | Paragraphs 707.11–.12 |
| 20. | Updated the amounts in the discussion on Health Savings Accounts. | Paragraphs 707.13–.32 |
| 21. | Noted that under the TCJA, unreimbursed employee business expenses are no longer allowed as an itemized deduction. | Paragraphs 707.43–.44 |

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	22. Noted that under the TCJA, amounts paid or incurred after December 31, 2017, for entertainment, amusement, or recreation expenses are non-deductible.	Paragraphs 707.48–.49
	23. Noted that under the TCJA, employees may not claim a home office deduction.	Paragraph 707.58
	24. Updated the discussion of the alternative minimum tax for the implementation of the TCJA.	Paragraph 707.64
	25. Updated the discussion of the use of inventories for the implementation of the TCJA.	Paragraph 707.68
	26. Updated forms to include the most current forms available at the date of this <i>Guide</i> .	Appendix 7E
CHAPTER 8	1. Updated the exhibit on using the correct code on insurance claims.	Exhibit 8-9
Accounts Receivable	2. Updated the Medicare premiums for 2018.	Paragraph 804.4 and Exhibit 8-11
	3. Updated the list of available Medicare training courses.	Paragraph 804.9
	4. Updated the healthcare reform legislation discussion to note that recent court decisions and Presidential Executive Orders have changed several provisions of Healthcare reform.	Paragraph 804.15
	5. Updated discussion of Medicare payment methods and related calculations, including deductible.	Paragraphs 804.19–.21 and 804.29 and Exhibit 8-12
	6. Updated the conversion factors.	Paragraph 804.25
	7. Noted that Tricare has a specific website for providers who provide care to Tricare patients.	Paragraph 805.6
CHAPTER 9	1. Updated the “Equivalent Yields for Tax-exempt versus Taxable Investments” exhibit to reflect 2018 marginal tax rates.	Exhibit 9-2
Financial Planning	2. Updated the mortgage interest deduction discussion.	Paragraphs 903.39–.40
	3. Updated the estate tax credit and exemption amounts.	Paragraphs 907.5–.15 and Exhibits 9-5 and 9-6
	4. Updated the discussion on gifts under the Uniform Gifts to Minors Act.	Paragraphs 909.2–.4
	5. Updated tax rates and amounts in the discussion of minors’ trust to reflect current tax law.	Paragraphs 909.7–.10
	6. Updated thresholds for the phase out of interest exclusions in the discussion of savings bond investment alternatives to reflect current tax law.	Paragraphs 909.15–.16
	7. Updated the amounts in the discussion of the Lifetime Learning Credit.	Paragraph 909.28
	8. Updated AGI and tax credit maximums in the Summary of Coverdell Education Savings Accounts and Education Tax Credits.	Exhibit 9-11

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 10 Retirement Plans	9. Updated the amounts in the discussion of deducting student loan interest.	Paragraph 909.31
	10. Noted that beginning in 2018, qualified higher education expenses also include tuition up to \$10,000 per student per year for an elementary or secondary public, private, or religious school.	Paragraph 909.38
	11. Updated the summary of capital gains rates to reflect 2018 rates.	Appendix 9O
	12. Updated data in the list of Websites of Interest to Practitioners Serving Physician Clients.	Appendix 9P
	1. Updated the threshold amounts for contributing to a nonintegrated profit-sharing plan.	Paragraph 1001.7
	2. Updated the social security wage base for 2018 in the discussion and illustration of retirement plan integration with social security.	Paragraph 1001.12; Exhibit 10-2
	3. Updated the compensation limit to reflect 2018 levels.	Paragraph 1001.16
	4. Updated the staff retirement costs for the revised maximum annual contribution.	Paragraphs 1001.20–.21, 1002.1, and Exhibits 10-3, 10-4, 10-5, and 10-6
	5. Updated amounts in discussions and illustrations related to 401(k) plans for annual maximum contributions and compensation limits.	Paragraphs 1002.32–.34 and Exhibit 10-8
	6. Revised the discussion on 401(k) safe harbor plans and updated amounts.	Paragraphs 1002.42–.46 and Exhibit 10-9
	7. Updated the deduction phase out amounts for IRA eligibility.	Paragraph 1003.3
	8. Updated amounts in the discussion of the Mini 401(k).	Paragraphs 1003.12–.14
	9. Updated the amounts in the discussion of Roth IRAs.	Paragraphs 1003.23–.27
	10. Updated amounts in the discussion of the Roth 401(k).	Paragraphs 1003.28–.30
CHAPTER 11 Personnel Services	11. Noted that the TCJA eliminated the recharacterization option.	Paragraph 1003.40
	12. Updated the compensation and contribution limits for simplified employee pensions.	Paragraphs 1003.42–.45
	13. Noted that the TCJA has temporarily suspended miscellaneous itemized deductions for 2018 through 2025.	Paragraph 1003.54
	14. Updated the discussion on late filing penalties of Form 5500 for new penalty amounts.	Paragraph 1005.12
	1. Updated the discussion on the Fair Labor Standards Act for the status of the Department of Labor's new overtime rules.	Paragraph 1107.5

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	2. Noted that the current Form I-9 has an expiration date of August 31, 2019.	Paragraph 1107.24, footnote 11, and Appendix 11I
	3. Updated the data in the list of Resources for Hiring Employees.	Appendix 11K
	4. Updated the Employment Laws Checklist.	Appendix 11O
CHAPTER 12 Other Services	1. Noted that PPOs continue to be the most popular form of health insurance.	Paragraph 1206.38
	2. Noted that CMS has proposed rules to overhaul the Accountable Care Organizations program.	Paragraph 1206.42
CHAPTER 13 Medical Office Management Considerations	1. Revised the discussion of multi-functional machines.	Paragraphs 1303.15–.18
	2. Updated the data in the list of Select Physician Practice Hardware and Software Vendors.	Appendix 13G

