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KPMG report: Physician member of surgery center has passive income; no SECA liability

A memorandum opinion of the Tax Court has potentially significant implications for physicians having both a medical practice and an ownership interest in a separate medical facility.

The opinion, *Hardy v. Commissioner*, T.C. Memo 2017-16 (January 17, 2017), deals with a fairly common arrangement in which physicians have both a medical practice and an ownership interest in a separate medical facility. In this case, the taxpayer was a plastic surgeon who held a membership interest in a surgical center limited liability company (LLC) treated as a partnership for U.S. federal income tax purposes.

The Tax Court held that the physician could treat his interest in the surgery center as separate from his medical practice, and that his distributive share of income from the surgery center was passive income for purposes of section 469 and not subject to tax under the Self-Employment Contributions Act (SECA) because he was properly classified as an investor.

Read a [February 2017 report](#) [PDF 97 KB] prepared by KPMG LLP: *What's News in Tax: Physician member of surgery center LLC has passive income, not subject to SECA*

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