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February 19, 2026

Northgate Dental PC
4402 Larpenteur Avenue
Saint Paul, MN 55109

Reasonable Compensation Analysis

Dr. Alan Reyes · Tax year 2025 · Minneapolis-St. Paul-Bloomington, MN-WI · OEWS May 2025

I. Background

Northgate Dental PC is a four-operatory general dental practice in Saint Paul with nine employees. Dr. Reyes is the sole shareholder-employee and treats patients four days a week, with the remainder of his time spent on practice management, hiring and case planning.

The shareholder-employee has approximately 18 years of relevant experience and devotes an estimated 1,900 hours annually to the business.

II. Methodology — Cost Approach

The shareholder's time was allocated across 4 distinct functions. Each function was mapped to its Standard Occupational Classification (SOC) code and priced using wage percentile data from the U.S. Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS) survey, May 2025. Percentile selection reflects the shareholder's experience, credentials, and scope of responsibility.

- Diagnosis, treatment planning and chairside dentistry — Dentists, General (SOC 29-1021) · 62% of time at the Median percentile · $92.41/hr, $57.29/hr weighted
- Practice management, staffing and scheduling — Medical and Health Services Managers (SOC 11-9111) · 22% of time at the Median percentile · $60.18/hr, $13.24/hr weighted
- Bookkeeping oversight, billing and insurance follow-up — Bookkeeping, Accounting, and Auditing Clerks (SOC 43-3031) · 10% of time at the Median percentile · $24.77/hr, $2.48/hr weighted
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Marketing, community outreach and referral relationships — Market Research Analysts and Marketing Specialists (SOC 13-1161) · 6% of time at the Median percentile · $36.94/hr, $2.22/hr weighted

Composite hourly rate: **$75.23**. Annualized over 1,900 hours: **$142,931.68**.

Weighted contributions are rounded to the nearest cent; the composite rate is computed before rounding. Columns may not sum exactly.

III. Independent Investor Cross-Check

Residual pre-tax income of $469,068.32 represents a 138.0% return on beginning-of-year shareholder equity of $340,000.00, exceeding the assumed required return of 8%. A hypothetical independent investor would be satisfied with the residual return, corroborating the reasonableness of the compensation.

IV. Factors Considered

The analysis reflects the multi-factor test applied by the courts: the employee's qualifications, training, and licensure; the nature, extent, and scope of the work; the size and complexity of the business; the comparison of compensation with the company's gross and net income; prevailing rates of compensation for comparable positions in comparable concerns; the corporation's salary policy for all employees; and compensation paid in prior years.

V. Conclusion

Based on the cost approach supported by BLS OEWS market wage data and corroborated by the independent investor test, reasonable compensation for Dr. Alan Reyes for tax year 2025 is determined to be **$142,931.68**.

Prepared by: **Dana Whitfield, CPA**, Partner

Date: February 19, 2026

Data source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2025 (bls.gov/oes). This workpaper supports the preparer's professional judgment and requires preparer review and sign-off.

Dana Whitfield, CPA
Partner