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Last Month:

- Old Tax Returns
- Court Decisions
- Tax Elections

Important Links:

Internal Revenue Service
Indiana Department of
Revenue

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FOR SALE
BUSINESSES
AVAILABLE

NEW RULES FOR PAYMENTS FROM HSA ACCOUNTS

The new health care bill requires consumers using workplace pre-tax Health Savings Accounts, to obtain a doctor's note to pay for Tylenol or an estimated 15,000 other over-the-counter drugs. Beginning January 1, 2011, employees using Flexible Spending Accounts, Health Saving Accounts, or Health Reimbursement Arrangements to pay for common medications such as pain relievers, cold medicines, antacids and allergy medications will need a prescription to purchase the product if paid through these programs. The new rules do not apply to insulin.

The new rules also prohibit the use of FSA or HRA debit cards, provided by these plans for over-the-counter purchases, because the IRS says there's no way to prove the drugs were prescribed. The IRS also says any money removed from HSA accounts to pay for medical expenses bought without a prescription will be included as taxable income and subject to an additional tax of 20 percent.

The industry group that lobbied support for the overhaul has been accused by some of the law's proponents as trying to undermine it, by saying the law creates "unintended consequences." These requirements do create unnecessary hassles for consumers and provides the wrong type of incentives. The changes will make it more difficult for consumers to get medicines needed at affordable costs. The law provides an incentive for consumers to use a more expensive medication when an over-the-counter item works just as well and is less expensive.

More than 10 million consumers use HSAs, according to a survey done in January by AHIP. This is an increase from 8 million in 2009 and 6.1 million in 2008. An analysis by a benefits administrator of more than 220 employers covering more than 6 million workers, reports 20 percent of employees, or 1.2 million, contributed to an FSA in 2010. Of those workers, the average annual contribution was \$1,441.

FSAs and HSAs allow workers to reduce their taxable income to pay for qualified health care or childcare expenses. Anyone with a high-deductible medical insurance plan can obtain an HSA. The IRS defined a high-deductible plan in 2010 as \$1,200 a year for individuals and \$2,400 for families.

FSAs, first authorized by Congress in 1978, are available only through employers who offer the plans. However, FSAs face another new hurdle under the Affordable Care Act. The limitation on the pre-tax contributions increased to \$2,500, starting January 1, 2013. There is currently no limit on how much an employee can contribute to FSAs, although employers can impose one.

Lawmakers imposed the cap to help pay for provisions that will expand coverage starting in 2014. This cap is expected to raise \$13 billion for other government-provided health care services offered between 2013 and 2019.

ADJUSTING 401(K) PLANS

1. BRAND NAME garage door installation and repair company - Marion County and surrounding counties.
2. "C" store
3. Beauty shop – Fishers
4. LAUNDROMAT – Indy East Side

- **How you invest is not the most important decision.** Asset allocation can have an effect on the bottom line, but the first priority should be to determine how much you need to save, and calculate how to make it happen.
- **Invest only enough to get the company match.** You want to collect whatever the company offers, but relying on this may not be a big deal. Companies have eliminated the match in this economy and haven't restored it, making the match hard to collect. Instead save and maximize the tax advantaged portion of contributions.
- **Don't assume a 401 (k) is for you alone.** If married, many choose investments without considering what a spouse is doing in his or her retirement plan, or what other securities they own. Once a year consider comparing investments and make needed adjustments.
- **Too much invested in company stock.** After Enron and Lehman Brothers employees are still allowing too much invested in company stock. Diversify; company stock should not amount to more than 10% of a retirement portfolio.
- **Stock Fund performance.** When investing, pick funds with the lowest expenses. Picking funds with the lowest expense ratios may have the same effect as earning an additional half-percent return on the investment.

ATMs, IF IT DOESN'T LOOK RIGHT, WALK AWAY

Criminals may be watching as you use an ATM machine. Therefore, if something doesn't look or feel right, keep walking, go to another machine. Thieves are attaching devices to capture personal data from the magnetic strip, therefore, you could be saving yourself a lot of headaches by avoiding ATM skimming.

When approaching a machine look for a pinhole camera mounted in an odd place, or look for an overlay on the keypad to capture your PIN. A device inserted in the card reader will allow the taking of data from the magnetic strip. These items are all that is needed to duplicate your card.

So, when using an ATM, trust your instincts. When entering the number on the keypad cover it with your hand. Don't use a machine with an unusual number of instructions, or go to a machine in a dark place. While traveling, use ATMs at a bank, stand alone machines can be easily altered. If something on the face of the ATM looks loose, crooked, or damaged, stay away.

Most of these devices are used in high traffic areas. So be careful when using your card in an ATM or even the gas pump.

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