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In This Issue

- More on Health Care
- More on Health Care Tax Credit
- IRS Updates Change of Address Notice

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Hayden Consulting, Inc.

Last Week:

- Leaders and Laggards
- Marketing
- The Importance of Financial Statements

Important Links:

Internal Revenue
Service
Indiana Department of
Revenue

MORE ON HEALTH CARE

Here's what you can expect from the Patient Protection and Affordable Care Act as amended by the Reconciliation Act over the next four years:

Starting in 2010

- From 2010 through 2013, eligible small business employers (with less than 25 employees and average annual wages of less than \$50,000) will receive a 35 percent tax credit on the contribution to their employees' health insurance premiums.

Last week the IRS mailed postcards to more than four million small businesses with information about this credit, the **Small Business Health Care Tax Credit**.

- Parents can cover adult children up to age 26 under their tax-qualified employer-provided health plans.

Starting in 2011

- States will receive funding to establish the web-based state insurance exchanges, which will be called Small Business Health Options Programs (SHOP). These exchanges will allow small businesses to form alliances and purchase insurance policies together at reduced rates.
- Small business employers will be eligible to receive federal funding from 2011 to 2015 for providing their employees with wellness programs.
- The definition of qualified medical expenses regarding distributions from Health Savings Accounts (HSAs), Archer Medical Savings Accounts (MSAs) and reimbursements through Health Flexible Spending Arrangements (Health FSAs) and Health Reimbursement Arrangements (HRAs) has been modified to exclude over-the-counter medicines.
- A \$2,500 annual cap on expenses will be applied to flexible spending accounts.
- A simplified "cafeteria plan," where employees can choose specific benefits to suit their needs, will be tailored to small businesses starting in 2011. The cafeteria plan will also include those who are self-employed.

Starting in 2013

- Estates and trusts will owe a 3.8 percent unearned income Medicare contribution tax (formerly called Medicare tax) on the lesser of their undistributed net investment

Know someone who would benefit from this Newsletter? Send us an e-mail address.

FOR SALE BUSINESSES AVAILABLE

1. BRAND NAME garage door installation and repair company - Marion County and surrounding counties.
2. "C" store
3. Office Industrial complex- occupied with long-term tenants, 3 acres of land.
4. Operating Day Care Franchise
5. Beauty shop – Fishers
6. A septic system company in south of Indianapolis - covers 9 counties.

income or any adjusted gross income over the highest tax bracket threshold (currently \$11,200) . So a trust with AGI of \$20,000 would owe \$334.40. (\$20,000 minus \$11,200 equals \$8,800, which is then multiplied by .038).

- Limits on tax-subsidized medical expenses will be imposed by raising the itemized medical expense deduction floor from 7.5 percent to 10 percent.
- An additional 0.9 percent tax will be imposed on earned income over \$200,000 for individuals and \$250,000 for families.
- Individuals with AGI above \$200,000 (or families with AGI over \$250,000) will pay a 3.8 percent unearned income Medicare contribution tax on the lesser of:
 1. Their net investment income* for the tax year or
 2. Any excess of their AGI over \$200,000 for individuals/\$250,000 for families

**Net investment income includes interest, dividend, royalties, rent, income earned from a trade or business, self-employment, estates, trusts and gain from disposing of property. Distributions from retirement plans, pensions and retirement accounts are exempt from the additional tax.*

Starting in 2014

- Small business owners with more than 100 employees will be able to purchase employee health insurance through state-run insurance exchanges called SHOP.
- Taxpayers with household income between 100 percent and 400 percent of the Federal Poverty Line (FPL) can qualify for a refundable health insurance premium assistance credit. (The current FPL, which is based on family size, is \$10,830 for one person; \$3,740 for each additional person and \$22,050 for a four-person family).
- Companies with at least 50 employees will have to pay a \$2,000 penalty (\$166.67 per month) for each employee they don't cover who ends up on a government-subsidized plan.
- Most individuals not eligible for Medicaid or Medicare or other government-sponsored coverage must maintain minimum essential coverage beginning in 2014 or pay a penalty. (Employer-provided insurance will satisfy this coverage requirement).
- From 2014 to 2015, eligible small business employers will receive a 50 percent tax credit on the contribution on plans purchased through SHOP, the state-run insurance exchanges.
- The required estimated tax payments of corporations with assets of at least \$1 billion for payments due in July, August and September of 2014 will be increased to 15.75 percentage points.

We will continue to update you on health care reform issues as information becomes available.

MORE ON SMALL BUSINESS HEALTH CARE TAX CREDIT

This credit pertains to small employers with fewer than 25 full-time equivalent employees (FTEs) for a tax year, with an average annual wage of less than \$50,000 per FTE, and pays health insurance premiums under a qualifying arrangement.

1. Effective for tax years beginning in 2010
2. Criteria established to determine the number of FTEs
3. Business owner or family are not employees for purposes of FTEs

4. Employers with over 25 workers may qualify if some are part-time
 5. 2,080 hour year used to calculate a full time employee
 6. Only the portion of premium paid by employer considered for credit
 7. Credit begins to phase out when FTEs exceed 10 employees
 8. Double reduction of tax available for premium and credit
 9. Credit is subject to limitation of average premiums in employer's area
 10. Credit for For-Profit employers non-refundable
 11. Unused credit available for 1 year carry back and 20 year carry forward
 12. Credit is refundable for tax-exempt organizations
 13. For tax-exempt employers the credit cannot exceed (a) income tax employer withholds from employees (b) employee's share of Medicare tax withheld (c) employer's share of Medicare tax on employee wages
 14. Related businesses are treated as a single employer
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THE IRS HAS UPDATED CHANGE OF ADDRESS NOTICE

Updated procedures to update a taxpayer's address have been issued. The IRS recommends taxpayers notify the Service directly of any address change.

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