

Now You See Them...

Personal exemption phase out

- Zero in 2010 (exemption for 2010 per person is \$3,650) but in 2011 returns to 2% for each \$2,500 by which AGI exceeds a certain threshold (\$166,800 single/\$250,200 married - using 2010 exemption thresholds).

Itemized deductions phase out

- Zero in 2010 but returns to 3% in 2011 when taxpayers can lose up to 80% of most itemized deductions (threshold for 2009 is \$166,800).

15% qualified dividend rate

- Increases in 2011 to ordinary marginal rate (as high as 39.6%).

15% long term capital gain rate

- Increases in 2011 to 20%.

Taxpayers who find themselves in the higher 36% (up from 33%) or 39.6% (currently 35%) brackets may choose to accelerate income (including Roth conversions) into 2010 and likewise defer deductions which may be worth more in 2011 (but check to see what will be the effect of the itemized deduction phase out reinstatement).

Healthcare Reform Items

2009

- **Adult dependent** - raised age for which parents can carry their children on their health insurance policy to 26 years of age; self employed individuals can deduct these premiums.

2010

- **Small business tax credit:** 1) businesses with 25 or fewer employees with average annual wages < \$50,000 get a credit of up to 50% of nonelective contributions the business makes for insurance premiums; 2) businesses with 10 or fewer employees with average annual wages < \$25,000 get 100% of the credit; 3) other eligible employers get the credit reduced based on the number of employees over 10 and the excess for the average wages over \$25,000.

2011

- **O-T-C medicines are not reimbursable** under HSAs, MSAs, health FSAs.
- **Penalty tax on HSA or MSA distributions** not used for qualified medical expense increases from 10% to 20%.
- Small businesses can establish a SIMPLE cafeteria plan, with safe harbor from the nondiscrimination requirements for cafeteria plans so long as the cafeteria plan satisfies minimum eligibility, participation and minimum contribution requirements.

2012

- **Forms 1099 are required for payments to corporations of \$600 or more.**

News Alert

2013

- Threshold for **itemized deduction for unreimbursed medical expenses increases to 10%** of AGI from 7.5% (except if either spouse is 65 or older for tax years 2013-2016).
- **FICA increases by .9% from 1.45% up to 2.35% on wages** if combined income of spouses exceeds **\$250,000 (\$200,000 single)** on employees or SE individuals only (not employers' portion).
- **New 3.8% MC tax on lesser of net investment income or AGI - \$250,000 if married (\$200,000 single). For estates and trusts, tax = 3.8% of lesser of undistributed net investment income or AGI - highest tax bracket threshold.**
- **Flexible savings account maximum** for medical expenses is **\$2,500** (down from \$5,000).
- **Medical device excise tax of 2.3%** on sales of certain medical devices (excludes eyeglasses, contacts, hearing aids).

2014

- Premium assistance credit - available to filers with household incomes between 100% and 400% of the federal poverty level who don't have access to employer coverage.
- **Excise tax on uninsured individuals** - U.S. citizens and legal residents must maintain minimum amounts of health insurance coverage. Penalty is the greater of 1) 2.5% of the amount by which the household income > threshold amount of income required for filing an income tax return or 2) \$695 per uninsured adult in the household. Penalty is phased in from 2014-2016. This tax has been challenged as unconstitutional in suits brought by several state attorneys general.
- **Excise tax on applicable large employers** - companies employing an average of at least 50 full-time employees during the prior year which 1) do not offer coverage for all full-time employees, 2) offer minimum essential coverage (MEC) which is unaffordable, or 3) or offer MEC in which the plan pays less than 60% of the cost, are required to pay a penalty if any full-time employee is certified to the employer as having purchased health insurance through a state exchange where a tax credit or cost-sharing reduction is allowed or paid to the employee.
- Insurer reporting requirements - insurers providing minimum essential coverage to an individual must report 1) name, address, SSN of covered persons; 2) dates of coverage during the calendar year; 3) whether coverage is through a qualified health plan offered through an exchange; 4) the amount of any premium tax credit or cost-sharing reduction received by the individual; and 5) other info as required by the Treasury secretary.
- Eligible premiums included in cafeteria plans - a small employer which elects to make all its full-time employees eligible for a qualified plan offered in the small group market through an exchange enables its employees to include these exchange premiums in its cafeteria plan as a qualified benefit.

2017

- **Increase in medical deduction threshold for taxpayers 65 and older - to 10%** from 7.5%.

2018

- **Excise tax on high-cost employer plans** - tax of 40% of the aggregate value of employer-sponsored health insurance coverage for an employee in excess of the threshold amount (\$10,200 individual; \$27,500 family; either multiplied by the health cost adjustment percentage and increased by the age and gender adjusted excess premium amount - all as defined under the Act).



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