

Obamacare On The Way!

Many have been concerned about the changes in tax law due to the Supreme Court's ruling that the Affordable Care Act (aka Obamacare) is constitutional. Here is a brief summary of how this year – filing your 2012 taxes – could be affected. The real issues are not so much the changes for 2012, but trying to minimize the changes that take place January 1, 2013.

For instance, for the year 2013 deductible medical expenses will need to exceed 10% of your adjusted gross income, compared to 7.5% of your adjusted gross income in 2012. That means, if you have substantial medical expenses that you can deduct, you will want to pay for these this year, before the end of December, rather than waiting for January. It may mean paying for procedures now, or perhaps scheduling them before year end. If you feel you may be affected by this, please contact us!

A second issue; if you make more than **\$200,000** in wages and are single, or are married and have earned income over **\$250,000**, you will be subject to an additional **.9%** Medicare tax on earned income over the above mentioned limits. For those filing as married filing separately, the limit is reduced to **\$125,000**. You may want to adjust your contributions to your company's retirement plan. If you feel you may be affected by this, please contact us!

Another issue; if you are planning to sell a home, whether business or personal, or are planning to sell other capital gains assets such as stock, or will receive a combined total of more than **\$30,000** of taxable investment income (investment income includes interest, dividends, and rental income), and are over the **\$200,000** single and **\$250,000** married income range, you could be subject to an additional **3.8%** of tax. You may want to speed up the sale so that it occurs before December 31, 2012. If you feel you may be affected by this, please contact us!

Lastly, starting in January, contributions to health flexible spending arrangements (aka cafeteria plans) will be limited to \$2,500. If you utilize over that amount for medical expenses, you may want to re-negotiate with your employer to get fringe benefits for coverage rather than using the flexible spending plan. If you feel you may be affected by this, please contact us!

A few sighs of relief:

Regarding health care coverage for employees: If you have fewer than 250 employees, you are not required to include the amount of health coverage on W2's in 2012. That will make this January less hectic!

Regarding the requirement to provide health care coverage for employees, this does not apply to employers with less than 50 full time employees. There is a tax credit for employers who do provide health care coverage for employees and have fewer than 25 full time employees with average annual compensation of less than \$50,000.

For many of our clients, 2013 will present few changes. Others will want to start planning now to minimize tax in 2013 and future years. While some changes are yet to be seen, the issues above will help you see if you can sigh with relief or plan for the future!

If you have questions or concerns, give us a call (208) 773-6962 or email: kevin@kevinkimpton.com