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In case you haven't noticed or are new to the firm, this is the summer newsletter which I always write when it is still summer but you usually don't get until fall has just or is just about to start. This year as usual I am true to form. There is not too much to say in the intro at least not too much that is good. The economy is still struggling. This last year we processed more forms for unemployment than we have in the previous 5 years combined. We are still very aware a price increase is not in order because of what most of you are going thru. Therefore we have turned to attempting to cut cost. You have already noticed the reduced hours in the summer. If we don't pull out of this tailspin in our economy we may go to appointment only hours next summer. We are also going to use email more. Besides the cost savings I can get e mails at home (but not Galena). This newsletter is going out to e mail addresses we have. We just have to see but rest assured prices on 1040 returns will not go up for the 2010 tax year. Therefore if you see an increase in your fee it is because either

- A. You gave us more to do or
- B. The government has required more forms to be filed as they did in both 08 & 09.

Holding prices is our commitment to you. Now along with holding prices is also keeping up with the massive wave of tax legislation that has come our way so we can still provide the best service possible and to make sure we can get the most tax dollars back for you possible. Therefore this newsletter is going to be dedicated to the new health care bill. Now much of this does not take effect until down the road and many tax gurus are saying this will be adjusted. I am afraid I have to say I doubt it. Back in 2001 when the Bush tax cuts came into being that were due to sunset in 2011, all of those same experts said those cuts would surely be made permanent or would at least be addressed before 2011. Am I the only one that looks at a calendar east of the Mississippi river? Any way the new tax law.

Mandate I don't want no stinking Mandate

This bill contains what is being called an "individual mandate". This mandate says all US citizens and legal residences (there goes Arizona again) must have health insurance after 12/31/13 or face a \$695.00 penalty up to 2085 per family or 2.5% of your income over a threshold amount whichever is GREATER. The penalty and percents are phased in starting in 2014 and reaches the numbers listed above in 2016. There can be exceptions (after all this is still the government) but what is that threshold you ask. It has got to be high enough so someone could still live right. Well can you live on \$9,350 per year per person, not including dependants. Sounds fair?

Wait don't jump

There are tax credits if you do comply (After all resistance is futile for all you Star Trek fans). First for all for our business clients there is a credit for paying for health insurance for an employee, but before you decide to come off that ledge, there are many many restrictions and limitations. Real quick, must have less than 10 employees that earn less than \$25,000 and you pay more than 50% of the health insurance and the credit is only available at the end of the year and only if you make a profit. That is about 5% of this complicated credit. It can go up to 25 employees and \$50,000 but I don't have enough paper to tell you all that entails. Call us on this because that credit starts now. There is also a premium assistance credit for certain taxpayers that pay for health insurance after 2013. This is much like the credit for contribution to a retirement plan. It does phase out at 4X the poverty level which was 43,320 for an individual and 88,200 for a family of 4 in 2009. And you know those kids you just can't get out of the house, well now you can cover them under your employer provided health plan up to age 27. May as well because they can't afford to go anywhere these days.

He really does hate you

Starting in 2013, if you earn more than 200,000 for single and 250,000 for married (see there is a marriage penalty) you get to pay an additional .9% of Medicare tax. And this one gets better. This is going to include investment income. Now I have seen everything. A payroll tax on your capital gains. Ha, the joke is on them. With this economy we have no capital gains. By the way the rate on capital gain is 3.8%. Does that mean we get a 3.8% credit is we have a capital loss. Three guesses what the answer to that is and the first 2 don't count.

Raising the floor

This is not good. Your medical expenses are not deductible if they are less than 7.5% of your adjusted gross income. Then only the amount over that is deductible. In 2013 that goes to 10%. That does not apply if you are over 65. I can see it now a new cottage industry. Fake birth certificates showing we were all born in 1948. Also after 2016, the new 10% floor will also apply to seniors.

Some other issues

Some quick items on this bill are:

- Over the counter medications will be limited for you that have HSA's, FSA's or MSA's.
- If you use your HSA or MSA funds for anything besides qualified medical expense you get a penalty. 10% for HAS and 15% for MSA that will go up to 20% in 2011. I have never seen anyone do this and I see a ton of these plans.
- Flexible spending arrangements (FSA's) will now be limited to \$2,500.

- Have you noticed your cost of tanning has gone up? Well that is because as of July 1st there is a new 10% excise tax on indoor tanning services. So you see-it wasn't LA Tan's fault you have to pay more now. HOWEVER there is a liberalization and increase of the adoption credit but beware of you don't cover the new urchin with health insurance; you will lose that credit and then some.

Even I can't figure this one out

There is a new law that allows small employers a "Simple" cafeteria plan. Well I read this and reread this and if this is congress's idea of simple...well... I can tell you this; small employers are defined as 100 employees or less so if you are interested – give me a call.

OK now for the Accountants Money Makers Acct. of 2010

Us accountants love paper. We love generating it, love sitting in it. Opening that new box of copy paper is like opening that Christmas present that have the brand new Pro-V-1 golf balls in it. That smell, that feel because we all know by the magic of computers and printers we are going to turn those blank pages into cash the legal way. What this new bill is not short of is reporting and reporting means turning that blank page into cash. Yes we have more reporting. First starting in 2013 employers must report health insurance coverage. It appears a new tax form will have to be created for this and yes that is how the IRS will know if you did not follow this mandate mentioned in the beginning. But the thing that really has me excited is starting in 2012 all payments to all entities including corporations over \$600 must be reported on a 1099. This means you must track how much you have paid to anyone (including AT&T, Com Ed ect.) and I have to create 1099's so you can mail them out by Jan 31st. I don't think I have ever seen a law designed to bury just about everyone on the planet with a ton of paper in my life. Yes I am being funny with this because this will have to change. The old law exempted corporations, which exempted just about everyone except for a few subcontractors. Now... this one needs to be re think. At least for now my Xmas presents are going to be paid for because of all the new work this will generate.

That's all for now

I will write again in the fall... Oh wait it is fall. Also this is the first time we have attempted to distribute the newsletter electronically. Please if you don't mind give us some feedback on how that all worked.

-Tom