

## Reimbursing Employees for Health Insurance Excise Tax Relief Available for a short time

Prior to January 1, 2014, employers were able to reimburse or pay health insurance premiums for individual policies. With the passage of the Affordable Care Act (ACA), however, this practice is no longer allowable because it fails to meet certain requirements detailed in the ACA.

If employers continue to reimburse or pay health insurance premiums for individual policies, they will be subject to an excise tax of \$100 per day, per employee.

On February 18, 2015, the IRS issued Notice 2015-17, which provides transitional relief from the \$100 per day, per employee excise tax for small employers. The Notice states that the IRS will not assess any penalties for reimbursement arrangements for small employers through June 30, 2015. After June 30, 2015, however, they may start assessing penalties.

The IRS will not assess penalties through the end of 2015 to shareholder-employees who hold more than two percent of the S corporation's stock. For the time being, the IRS will allow these individuals to deduct reimbursed insurance as self-employed health insurance.

Employers that offer a group health plan may integrate it with a reimbursement for Medicare premiums without violating any provisions set forth in the ACA.

In summary, if you are reimbursing or paying health insurance premiums for individual policies, there is some relief available; however, not for long.

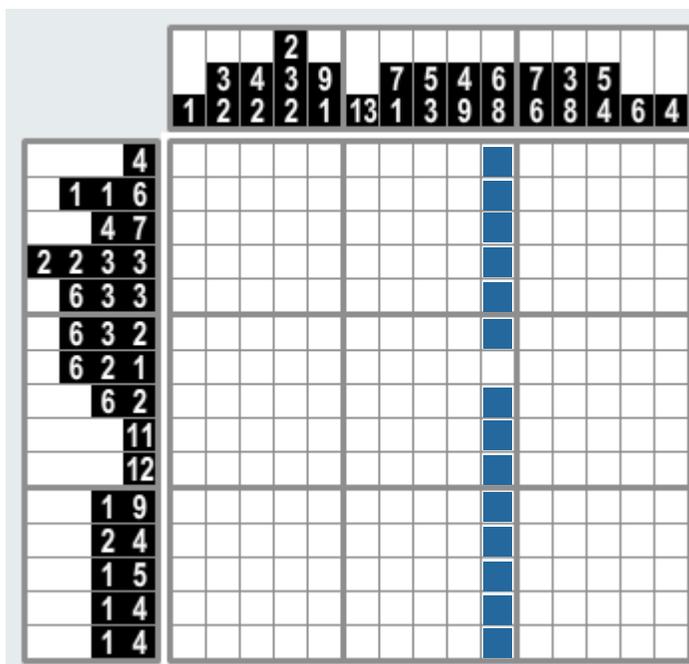
### Quick Tax Tips

*As an employer, it's important to remember that you are responsible for all tax deposits, even if you outsource your payroll services to a third party. For example, if you forward the*

*deposit to a payroll company and it fails to make the deposit, the IRS will still assess you for the tax, plus any interest and penalties.*

Feeling a little taxed?  
Bend your brain on  
this Pic-A-Pix puzzle.

*PK* Tax Services, L.L.C.



#### Pic-A-Pix RULES

Each puzzle consists of a grid with clues to the left and at the top. The number tells you how many consecutive colored blocks to color in that row or column. There must be at least one empty box between numbers. Once filled, the puzzle reveals a picture.

## Are Scholarships & Grants Taxable

Scholarships and grants can be a welcome relief. But are there tax consequences to accepting an award?

Typically, qualified scholarships for the purpose of study are excluded from the student's income. "Qualified scholarships" refer to any amount received by an individual as a scholarship or fellowship grant to be used for qualified tuition and related expenses, including:

- Tuition and fees required for the enrollment or attendance of a student at a qualified educational institution.
- Fees, books, supplies and equipment required for courses of instruction at the qualified educational institution.

Any amounts you receive for room and board are not excludable and need to be reported as income on your tax return. You must also include in gross income any amounts received as payment for teaching, research or other services required as a condition for receiving the scholarship or fellowship grant. However, you do not need to include in gross income any amounts you receive for services that are required by the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.

## Hiring Household Employees Are you subject to payroll taxes?

If you have a household employee, such as a housekeeper, maid, babysitter, gardener or anyone else who works in or around your private residence as your employee, you may be required to pay payroll taxes.

Household workers are your employees if you can control not only the work they do, but also how and when they do it.

If you pay cash wages of \$1,900 or more in 2015 (this threshold can change from year to year) to any one household employee, you generally must withhold 6.2% of social security and 1.45% of Medicare taxes (for a total of 7.65%) from all cash wages you pay to that employee.

You also must pay your share of social security and Medicare taxes, which is also 7.65% of cash wages. Unless you prefer to pay your employee's share of social security and Medicare taxes from your own funds, you should withhold 7.65% from each payment of cash wages made. Cash wages include wages you pay by check, money order, etc.

### Quick Tips: Affordable Care Act

1. As of January 1, 2015, businesses with 100 or more employees must provide health insurance to 70 percent or more of their full-time equivalent employees, or they could face a tax penalty of up to \$2,000 per employee, per year.
2. Starting in 2016, businesses with 100 or more employees must provide health insurance to 95 percent or more of their full-time equivalent employees.
3. Large employers are required to report the cost of the health coverage provided on each employee's W-2 in Box 12. Failure to report this information could lead to fines of \$200 per employee.
4. Businesses that have 25 or fewer full-time employees, pay average annual wages below \$50,000 and cover at least half of the premium cost for their employee's health insurance can qualify for a tax credit of up to 50 percent of employer-paid premiums if purchased through a state or federal Marketplace.
5. All employers must withhold and report an additional 0.9 percent on employee wages or compensation that exceed \$200,000.



UP to the  
MINUTE  
TIMELY TAX TIPS

Summer 2015

## Business Tool Tip

While no employer has to offer health insurance coverage, some larger businesses may have to make an Employer Shared Responsibility Payment.

This could apply to employers of different sizes at different times. What is your employees size?

1. Fewer than 50 Employees
2. At least 100 Employees
3. At least 50 but less than 100

Knowing the specifics and understanding your obligation is important. I can help with these calculations.

For the details visit: <http://www.pktaxservices.com/?p=2704>

## Individual Tool Tip

The Alternative Minimum Tax may apply to you if your income is above a certain amount. AMT attempts to ensure that taxpayers who claim certain tax benefits pay a minimum amount of tax.

Even if you've never paid the AMT before, you should consider this:

- Know when AMT applies
- Understand the exemption amounts
- Use the online tools and forms
- IRS e-file software can figure out if you owe the AMT tax

Read the full details: <http://www.pktaxservices.com/?p=2854>

## Lifestyle News to Use

Save money and the environment at the same time. In general we are all aware of how our actions affect the world around us, but sometimes even simple actions make the biggest impact.

1. Eat locally. This may sound cliché but the impact is incredible.
2. Fuel efficient cars beat out gas guzzlers every time.
3. Fluorescent lights seem like a big investment but the payoff is well worth every penny.

Check the website for details. <http://www.pktaxservices.com/?p=2859>

## Going Out of Business Prepare for possible tax consequences

You can close your business by selling all of the assets or converting the assets to personal use. The tax impact of selling your business depends on whether you are operating a sole proprietorship or corporation.

If you are a sole proprietor and sell all your business assets, you'll report the sale of each one separately to determine the gain or loss. If you close your sole proprietorship business and keep all the assets to use personally, you may have to pay tax on the recapture of depreciation on §179 property or listed property.

If you own a corporation, you can either sell the stock or the assets. If you sell the assets, the corporation will pay the tax on any gain. As the shareholder, you don't have any tax consequences unless the corporation liquidates and distributes the proceeds to you in exchange for your stock. If the stock is sold, you'll report the sale of your corporate stock on your personal tax return.

If you take the assets out of the corporation, gain or loss is recognized on the liquidating distribution of assets as if the corporation sold the assets to you at fair market value. As the shareholder, you do not have any tax consequences unless the fair market value of the assets distributed exceeds your stock basis.

## Bartering Income: The value of property or services received

Bartering is the trading of one product or service for another. Often there is no exchange of cash. Some businesses barter to get products or services they need. For example, a gardener might trade landscape work with a plumber for plumbing work.

If you barter, you should know that the value of products or services from bartering is taxable income. This is true even if you are not in business.

Here are a few facts about bartering:

- Bartering income. Both parties must report the fair market value of the product or service they get as income on their tax return.
- Barter exchanges. A barter exchange is an organized marketplace where members barter products or services. Some operate out of an office and others over the Internet. All barter exchanges are required to issue Form 1099-B, Proceeds from Broker and Barter

Exchange Transactions. Exchanges must give a copy of the form to its members who barter each year. They must also file a copy with the IRS.

- Trade Dollars. Exchanges trade barter or trade dollars as their unit of exchange in most cases. Barter and trade dollars are the same as U.S. currency for tax purposes. If you earn trade and barter dollars, you must report the amount you earn on your tax return.

- Tax implications. Bartering is taxable in the year it occurs. The tax rules may vary based on the type of bartering that takes place. Barterers may owe income taxes, self-employment taxes, employment taxes or excise taxes on their bartering income.

- Reporting rules. How you report bartering on a tax return varies. If you are in a trade or business, you normally report it on Form 1040, Schedule C, Profit or Loss from Business.

## Identity Verification A legitimate service from the IRS

New IRS scams continue to surface in an attempt to take your money or personal information. Deceitful communications come via phone, email, post and sometimes even a knock on your door. It's important to know that the IRS does occasionally contact taxpayers, but when they do, it's most often by mail.

Sometimes the IRS needs to verify a taxpayer's identity and will do so by sending a Letter 5071C. This occurs when the IRS stops a suspicious tax return that contains a real taxpayer's name and/or social security number but is flagged for identity theft. Taxpayers who receive requests from the IRS to verify their identity should use the Identity Verification Service website at [idverify.irs.gov](http://idverify.irs.gov). This is the fastest and easiest way to complete the task. If you receive Letter 5071C, please contact me so that I can help you answer the series of questions about your identity and tax return history.

Once the IRS verifies your identity, you can confirm whether you filed the return in question. If you did not file the return, the IRS can take steps to assist you. If you did file the return, the IRS will need about six weeks to process it and issue a refund.

Want more Up to-the Minute tax information?  
<http://pktaxservices.com/blog>

## Pat's Pick



*Some of our best summer days come from enjoying a great book in the backyard. These are some of the books on my list, what's on yours?*

1. The Secret Keeper by Kate Morton. An unforgettable story of lovers and friends, deception and passion.

2. Bossypants by Tina Fey. Tina reveals her story in this humorous and delightful read.

3. The Circle by Dave Eggers. A captivating story of ambition and idealism turned upside down by pushing the limits of human knowledge.

4. One Thousand White Women: The Journals of May Dodd by Jim Fergus. One woman's story of the covert and controversial "Brides for Indians" program, launched by the administration of Ulysses S. Grant.

5. What Alice Forgot by Liane Moriarty. Romance and tragedy collide in this story where one woman wakes from a coma missing the memories of her last 10 years.

### Did you Know...

*Up until 2006 Illinois has had three capitals: Kas-kaskia, Vandalia, and Springfield.*

### Let's Connect



## Blog Articles

*Read these posts plus many others on my blog*

1. Paying Taxes while Living Abroad
2. Small Business Tax Tips
3. Paying the Alternative Minimum Tax
4. Writing Off NonProfit Work