

TaxUpdate

2014 MID-YEAR NEWSLETTER

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Greetings. With the long push for health insurance signup behind us, the fuses on the health care tax-time bombs have been lit. Could you be in for a tax surprise at the end of the year? If the new Medicare surcharge taxes hit you in 2013, can you reduce their impact next year? Will 2013 expired tax provisions be extended? Please review this mid-year Tax Update for these and other tax planning opportunities to consider.

Tax Planning is Now More Important Than Ever

With the full impact of tax changes in 2013 reflected in your last tax return, now is a good time to think about ways to reduce next year's taxes. Here are some things to consider.

 **Expiring Tax Laws.** A number of tax provisions expired in 2013 and unless extended are no longer available to you. This includes the mortgage insurance premium deduction, the educator expense deduction, the state sales tax itemized deduction option, and the tuition fee deduction.

 **New taxes.** Higher tax rates as well as the new Medicare surtax will continue to impact a number of taxpayers in 2014.

 **Life Event Changes.** If your filing status is changing in 2014, you



have an additional need to plan. This is important when you move from single to joint filing or from joint to single. Key life events

include divorce, death, and a birth or adoption in the family.

 **Health Care Laws.** Obamacare provisions can also impact your tax obligation in 2014. See the article *2014 Health Care Laws* below.

 **New levels.** Each year also brings changes in brackets. This includes increased income levels for each tax bracket, new Alternative Minimum Tax amounts, new Tax Credit phase-out amounts and more.

Remember, now is the time to plan while there is still time to address your tax situation for 2014.

2014 Health Care Laws. A Tax-Time Bomb?

As strange as this may sound, your health insurance situation can impact your tax bill in 2014. There are three key areas to consider.

 **The medical uninsured.** Beginning in 2014, virtually everyone is required to have health insurance or face a potential tax penalty. The initial penalty will be the greater of \$95 per individual, \$285 per family or 1% of your income.

 **Small business tax penalties.** If you own a business and have 50 or more employees you are required to offer a minimally acceptable health insurance benefit. If you do not, you could be subject to penalties per employee beginning in 2015.

 **The health insurance premium credit.** If you signed up for health insurance through the medical insurance exchange, you may have been eligible to receive a reduction in your insurance premium. Eligibility occurs when your income is below certain Federal thresholds. You also have the option of applying the premium credit directly against your insurance premium or as a reduction of your taxes.

If any of these situations apply to you, your business, or a family member, it is best to review your situation now. If not, you could be in for a surprise when you file next year's tax return.

The Trouble with Bits



Because of a recent IRS ruling, using alternative currencies like Bitcoins just got a lot more complicated. The IRS now deems Bitcoins as an investment, not just an alternative unit of currency. So if you use Bitcoins to purchase something, you need to determine a gain or loss on your Bitcoins. If you receive Bitcoins, you will need to keep track of their value when you receive them to help determine a gain or loss when you use them at a later date. In addition, if you are paid wages with Bitcoins, they are still deemed wages in the eyes of the IRS and require payment of payroll taxes.

If you use this high tech alternative to dollars, you may need some tax advice.