



Sapurstein & Associates, PC

TAX INFORMATION NEWSLETTER

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PAYROLL TAXES

- IRS has help for small firms on computing the health coverage credit. It has released state-by-state average premium figures for businesses to use when calculating the credit. The average premium for individual medical coverage ranges from a high of \$6,204 in Alaska to \$4,215 in Idaho. For family coverage, the averages run from \$14,138 in Massachusetts to a low of \$9,365 in Idaho. Later this year, the feds may provide separate listings for higher cost regions within a particular state. But a decision to do that has not been made yet. The state premiums are a key part of the credit calculation. Small firms with 10 or fewer full-time-equivalent employees and average wages under \$25,000 get a credit for 35% of whichever is lower, the amount paid for employee coverage or the average group premium for smalls in the firm's state. The percentage drops for firms with more employees and higher annual pay. And no credit is available to companies with 25 or more employees or average annual wages of \$50,000-\$100,000 range.
- Don't wait to be audited before filing 1099 forms on contract workers. That will put your firm on the hook for payroll taxes. Under a 1978 law, the IRS can't reclassify contractors as employees if a company filed 1099s on them, consistently treated similar workers as contractors and had a reasonable basis to do so. But an Appeals Court says that if the firm didn't initially give 1099 forms to the workers, it will not qualify for relief if the 1099s are issued after the Service bills it for back employment taxes. The Court left for another day the question of whether a firm could get the relief if it filed the 1099s late, but before the Revenue Service completed its examination.

TAX DEBTS

IRS can grab IRAs for back taxes, as a couple learned to their dismay. They ran a corporation that didn't deposit taxes **withheld from employees**. After the firm went bankrupt, the Service billed them for the undeposited taxes. When they didn't pay, the agency seized \$289,000 by levy from the husband's IRA. Though the involuntarily withdrawn money is taxable, the 10% early payout penalty doesn't apply, even if the debtor is under age 59½.

BUSINESS TAXES

Filers who failed to claim a five-year loss carryback get a second chance, according to IRS. If they timely filed their 2009 return, they have until Oct. 15, 2010 to elect a five-year carryback for net operating losses they incurred for 2008 or 2009. And those who carried back 2008 losses for two years can switch to a five-year period

Food for Thought - How secure are you files and records, if you tape your passwords to your computer screen?

HEALTH CARE REFORM LEGISLATION: PROVISIONS AFFECTING SMALL BUSINESS

The historic changes in health care enacted in the Patient Protection and Affordable Care Act (PPACA), P.L. 111-148, and the Health Care and Education Reconciliation Act of 2010 (HCERA), P.L. 111-152, require employers to change the way they provide health benefits to employees. This chart summarizes the major provisions affecting employers, arranged by topic, and indicates each provision's effective date.

SMALLL BUSINESSES		
Description	Who Is Affected	Effective Dates
Tax credit for small businesses' health insurance expenses.	Businesses with fewer than 25 employees and average wages less than \$50,000 (adjusted for inflation beginning 2014).	Effective for tax years after 2009.
Qualified employers may offer coverage under Exchange-participating qualified health plans through the employer's cafeteria plan.	Small employers (fewer than 101 employees) that allow full-time employees to enroll in qualified health plans offered in the small group market through an Exchange. States may extend the program to large employers beginning in 2017.	Effective for tax years beginning after December 31, 2013.
Small businesses may establish simple cafeteria plans.	Employers who employed an average of 100 or fewer employees in either of the preceding two years (growing employers may retain the simple cafeteria plan until the average number of employees increases to 200).	Effective for years after 2010
Employers may request a grant to fund a comprehensive workplace wellness program.	Small businesses, including non-profits that employ less than 100 employees who work at least 25 hours per week and that do not already provide a wellness program.	Effective for fiscal years 2011 through 2015

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