

# Client Update

WINTER 2015

## Get ready for the new *Affordable Care Act* requirements; they're just around the corner

**A**re you an applicable large employer? If so, in January you may be required to file a tax form you might be unfamiliar with. Form 1095-C, *Employer-Provided*

*Health Insurance Offer and Coverage*, is required for each full-time employee and will disclose information on the group health insurance coverage you provide. While the rule applies only to applicable large employers (ALEs), the use of the term "large" is a misnomer. An ALE is any employer with 50 or more full-time employees, including full-time equivalent (FTE) employees, in the prior year.

### ■ Let's break it down.

A full-time employee is anyone working on average 30 hours or more per week, or 130 hours per month. The calculation for FTE employees is a bit harder. Add up the monthly hours of everyone not full-time (capped at 120 hours for any one employee) and divide by 120. If this number, plus the number of full-time employees is 50 or more on average for the year, the new reporting rules apply to you. Keep in mind this calculation is only

used to determine whether you have to file Form 1095-C. You are not required to provide health insurance to your part-time employees.

### ■ Special situations. Special rules.

If your business is part of a controlled group – that is, a group of companies under common ownership – you may have to combine the employee rosters of each company to determine whether the rules apply. If your business offers a self-insurance program, you must file Form 1095-C regardless of the number of workers you hire.

Is your company new? You're automatically considered an ALE in your

first year if you expect to meet the 50-employee requirement and actually end up doing so. To provide relief, you do not need to include seasonal workers in the count as long as the number of those workers exceeded 50 for only 120 days or fewer during the year. Also, for 2015 only, you can use any consecutive six-month period during 2014 to determine your employee count rather than average the entire year.

The 2015 Form 1095-C is due to employees by February 1, 2016, and to the IRS by February 29. The IRS deadline is moved to March 31 if you file electronically. (You must file electronically when you issue 250 or more forms.) The penalty for not filing is \$250 per form, up to \$3 million per year.

Be aware that these new rules are in addition to the previous requirement of reporting the value of health insurance coverage on an employee's W-2 if you have 250 or more employees. For more details, please call our office. ♦



# Protect your charitable deductions

**D**o you itemize deductions on your federal income tax return? If so, charitable contributions may make up a substantial

portion of your deduction – and you’ll want to make sure the amount you claim can survive an audit. You can do that by maintaining the supporting documentation the IRS will expect to see.

Here are tips for protecting your deduction.

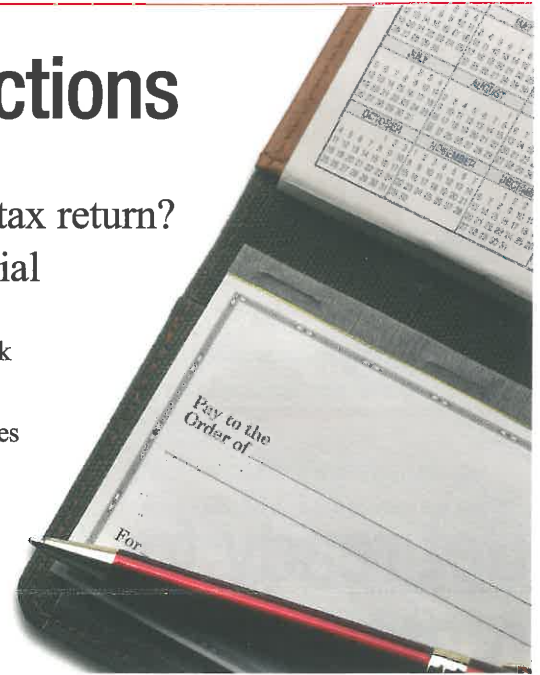
▶ Support monetary contributions of any amount with a cancelled check, credit card statement, proof of payroll deduction, or a receipt from the charity. Your documentation must show the organization’s name and the amount and date of your contribution.

▶ For monetary contributions of \$250 or more, get a contemporaneous written acknowledgement from the charity. The receipt must show the name of the charity, the date of your donation, and the amount donated, as well as a

description and the estimated value of any nondeductible item (such as a book or dinner) provided to you.

▶ For property donations, keep copies of support for the value you claimed. The allowable deduction for a property donation is generally limited to the lesser of cost (or other basis) or fair market value. The fair market value of donated clothing and household items should approximate prices similar to those in used clothing stores or consignment shops. Support can include ads for such items, along with evidence documenting your original purchases.

▶ The documentation required for noncash donations escalates at specified thresholds.



**1. Value under \$250.** Obtain a receipt from the charity showing the organization’s name, the date and location of the contribution, and a description of the property.

**2. Value from \$250 to \$500.** In addition to the above information, your receipt must include a statement indicating whether you were given any goods or services in exchange for your contribution. The receipt must provide a description and estimated value for any such premium.

**3. Value above \$500 up to \$5,000.** Your records must include all of the above information and show how and when you got the property and its cost or other basis. You also must complete section A of Form 8283, *Noncash Charitable Contributions*, and submit the form with your return.

**4. Value over \$5,000.** You must meet all of the above requirements and also obtain a written appraisal from a qualified appraiser. You should complete both sections A and B of Form 8283 and submit the form with your return.

Additional requirements apply when you donate property that has appreciated in value. Call us for more information. ♦

## Mark Your Calendar

### JANUARY 2016

**15** – The fourth installment of 2015 individual estimated tax is due.

### FEBRUARY 2016

**1** – Employers must file 2015 federal unemployment tax returns and pay any tax due.

**1** – Employers must furnish W-2 statements to employees. Payers must furnish 1099 information returns. Applicable large employers (generally employers with 50 or more full-time employees, including full-time equivalent employees, in the prior year) must furnish Forms

1095-C, *Employer-Provided Health Insurance Offer and Coverage*, to employees.

**29** – Payers must file information returns with the IRS.\*

**29** – Employers must send W-2 copies to the Social Security Administration.\*

### MARCH 2016

**1** – Farmers and fishermen who did not make 2015 estimated tax payments must file 2015 tax returns and pay taxes in full to avoid a penalty. ♦

\*March 31 if filing electronically.

# Do you offer financial training to your employees?

**S**adly, your employees may be living under a cloud of financial stress. Year after year, month after month,

paycheck after paycheck, they struggle. They don't know how to craft a budget, set up an emergency fund, or invest for retirement.

Because of meager savings, some remain too long in the workforce. Other stressed-out employees suffer from low morale. They're easily distracted, routinely absent from work, and insecure about making financial decisions. Many find themselves mired in debt with little understanding of how they got there or how to get out.

You can help relieve much of this stress by providing a workplace financial education program. Depending on the needs of your work force, such programs can be offered in a variety of formats. One-on-one counseling is often an efficient method for conveying financial information quickly and provides the added advantage of confidentiality. An employee may be more likely to discuss, say, a problem with credit card debt if the conversation is held in a private setting. Group classes can be used to present more generic information about financial goals, household budgeting, insurance, debt, and investments.

If your in-house specialists have a firm grasp on financial planning, they may be equipped to provide relevant, useful training. If not,



external resources – including courses offered by the National Financial Educators

Council or your CPA firm – can be effective. Formats might include small groups, low-cost webinars, or seminar-style instruction.

How can your company encourage employee participation? First, avoid presenting a bewildering array of slides and handouts to new employees. Instead, customize programs to specific groups of workers. For example, training for new hires might emphasize the importance of contributing to a 401(k) or other retirement account or offer advice about student loans and credit card debt. Soon-to-be-retirees might prefer information focused on insurance benefits, investments, and creating a prudent savings withdrawal strategy.

The good news? Your employees may be eager for help. According to one study, over 80% of workers said they would participate in financial training if offered at work.

The key is to get started. Reduced stress, increased productivity, and retention of skilled employees are just a few of the benefits to be gained by implementing a workplace financial education program. ♦



Debt is a four-letter word that practically no one wants to hear. Nevertheless, some kinds of debt are unavoidable or are considered “good” debt, such as the mortgage on your home. Conversely, it's smart to avoid unnecessary debt for luxuries you clearly can't afford.

Here are seven practical suggestions for better managing debt.

- 1. Stop adding to your debt burden.** A mountain of debt will only continue to grow if you keep piling on top of it. Watch your spending and take a hard-line approach to new purchases.
- 2. Get a clear picture of all your debts.** Put the data in a spreadsheet or other easily accessible ledger. Your credit history report can get you started with a listing of your outstanding accounts.
- 3. Create a payment calendar.** Get familiar with due dates. Use your smartphone or other technology to provide reminders.
- 4. Make payments on time.** If you miss a due date or skip a payment, you'll get stuck with a late fee in addition to what you already owe. Don't make a bad situation worse.
- 5. Give 'til it hurts.** At the very least, pay the minimum amount required. If you can stand the pain of paying more, you'll save time and money over the long haul.
- 6. Prioritize your debts.** Does your credit card charge sky-high interest rates? Pay that balance down first by putting any additional amount you can afford toward the principal. Devise a system for identifying and paying the debts that cost the most.
- 7. Set up an emergency fund.** Although you'd like to use excess cash to pay off debt, you also need some “wiggle room.” Stash away funds so you can avoid adding to your debt if an emergency occurs.

Debt can quickly spiral out of control, leaving you feeling powerless. Give us a call for more money management techniques that will work for you. ♦

...for giving us the opportunity to serve you this past year. Your trust and your business are appreciated, and your referrals are welcome. We wish you a happy, healthy, and prosperous 2016.

*Thank you*



### IRS issues scam warning

In a recent news release, the IRS warned taxpayers to beware of fake charities looking to profit from the severe flooding in South Carolina. In addition to stealing your money, these scam artists are also trying to get your personal financial information. Visit [www.irs.gov](http://www.irs.gov) to learn how to recognize signs of fraudulent schemes.

### IRS releases final information forms

The IRS has announced the release of 2015 information returns and instructions that certain employers are required to file for the first time.

The *Affordable Care Act* requires “applicable large employers” to give annual information returns to employees and file copies with the IRS. Applicable large employers are generally those who employed 50 or more full-time employees, including full-time equivalent (FTE) employees, in the prior year. These forms must be filed in early 2016 for calendar year 2015.

### IRS updates identity theft issue

The IRS says eligible taxpayers who receive an Identity Protection PIN must use that number when filing Form 1040, *Individual Income Tax Return*; Form 2441, *Child and Dependent Care Expenses*; and Schedule EIC, *Earned Income Credit*. Starting January 1, 2016, all social security numbers reported on a tax return that are associated with an Identity Protection PIN must use the PIN. That includes taxpayers, spouses, and dependent or qualifying individuals.

An Identity Protection PIN is a six-digit number that victims of tax-related identity theft request or are assigned. The Identity Protection PIN helps prevent the misuse of social security numbers on fraudulent federal income tax returns. The IRS will reject returns if the number is missing or incorrect. ♦

# Include investment income tax in your year-end planning

**Y**ear-end tax planning has traditionally included tips for managing ordinary income and capital gain tax.

These long-established strategies are still effective – but now your planning also needs to include ways to manage your exposure to the net investment income tax.

This 3.8% tax applies to the lower of your net investment income or the amount by which your modified adjusted gross income exceeds \$200,000 when you’re single or \$250,000 when you file jointly.

*Example.* Say you’re filing jointly for 2015. Your net investment income for the year is \$25,000 and your modified adjusted gross income is \$300,000. The tax is \$950 (3.8% of \$25,000).

Although the term “net investment income” covers most investment income – including capital gains, interest, royalties, dividends, and passive income – other items such as distributions from IRAs and qualified plans and active business income are excluded. Be aware the excluded items may still increase your modified adjusted gross income and bring the net investment income tax into play.

Here are planning opportunities to consider before the end of the year to reduce the effect of the net investment income tax.

- Harvest capital losses from securities transactions and use them to offset capital gains.

- Turn a passive activity into an active business by increasing the hours you spend participating in the activity.

- Invest in tax-free municipal bonds or municipal bond funds that won’t increase your net investment income or your modified adjusted gross income.

- Sell real estate on the installment basis to spread out capital gain over several years, or arrange a like-kind exchange to defer gain.

- Instead of selling appreciated property, donate it to charity and realize a charitable deduction – with no capital gain.

- When possible, defer taxable business income, including bonuses, to 2016 if you expect your income to be lower next year.

Reviewing your options for reducing the net investment income tax is only one part of comprehensive planning. Give us a call. We’ll help you factor the net investment income tax into your year-end decisions. ♦



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**CLIENT UPDATE:** This newsletter is issued quarterly to provide you with an informative summary of current business, financial, and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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