

Leif Jensen and Associates

Newsletter

May, 2012

In This Issue

Featured Service

[The Future of Health Care?](#)

[New Medicare Bookkeeping Requirements](#)

[Some New Health Care Rules](#)

Featured Client



September is based upon septem which means seven and spetimus which means seventh. It was the seventh month in the Roman ten month year.

Quick Links

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Services



Dear Reader,

As CPA's we are committed to providing a full range of high quality professional services including: accounting, bookkeeping, consulting, payroll, management advisory services, income tax preparation, auditing and other attestation services. Our goal is to meet our client's expectations as their most trusted advisor.

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The Future of Health Care?

Last week I was meeting with a prospective client and we were discussing how to treat his medical expenses. As a small business owner this is pretty well spelled out, the basics include medical insurance is deductible on the front of his 1040; the out of pocket expenses are listed on Schedule A. He probably knew from his existing CPA how every thing is treated.

But in our back and forth discussions on where the future of health care lies was an interesting one. The prospective client believes that with the advent of "Obama Care" that we will be moving to a distinctive two tiered medical system.

The first will be the catch all of the masses with insurance bought through exchanges or minimal coverage purchased through the employers. With ever increasing costs the coverage will be spotty and rationed, with high out of pocket costs; especially for out of the ordinary procedures.

The second will be a throw back to the olden days when cash was paid for services rendered. The wealthy will be the ones buying the best medical care that is available, from the doctors that flee the exchange service plans due to the poor reimbursement rates and over whelming red tape required for standard procedures. Try to get a decent HMO doctor at this point in time. Just wait 5 years from now and see who is available.

I have to agree with the concerns raised. I believe that they are valid and that this may not be the intention of the current administration, but I can see it as a possible result.

Dates to Remember

- Extended Corporate Tax Returns Due
- Third Quarter Estimated Payments Due

This Month's Featured Service

Business Plans

We can assist in the preparation and monitoring of your business plan at all levels. The preparation of a written business plan is not the result of the planning process. The realization of that plan is the ultimate goal.

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New Medicare Bookkeeping Requirements

Employers will now have the privilege of collecting additional Medicare taxes in 2013. As part of the increase in taxes for those deemed to be the wealthy there will be an increase in Medicare tax rates (luckily for business owners they do not have to match this fee) by 0.9% on wages over \$200,000 for single filers, \$250,000 for joint filers and \$125,000 for spouses who file separately.

Since employers don't know and probably don't care what each worker's filing status is, the IRS has new instructions for firms on how to address this issue. They must start withholding the extra 0.9% on wages over \$200,000. When the workers file their individual returns, they will make up any underwithholding or claim a credit for any overwithholding on their personal taxes.

However, since this unearned income Medicare contribution tax rate is a tax imposed on individuals, and so no deduction is allowed for self-employed persons for this additional Medicare tax.

But, employers may be subject to penalties and interest for not withholding the additional Medicare tax. So they are forced to comply.

Some New Health Care Rules

In 2013 for those who itemize; on Schedule A will find the 7.5%-of-AGI floor for deducting medical expenses will increase to 10% for filers under age 65. This increase will not apply to those 65 and over until 2017.

Contributions to the health flexible spending accounts will be capped at \$2,500 a year.

The federally-subsidized part of retiree drug plan costs will be nondeductible on tax returns. And a 2.3% excise tax on medical devices takes effect. Items are commonly sold at retail, such as glasses, contact lenses and hearing aids, are exempt from the tax.

In 2014, individuals who remain uninsured will owe a penalty tax equal to the larger of \$95 or 1% of income above the filing threshold; this is were everyone finds out the government does not believe them to be as poor as they believe themselves to be. It is the income level that triggers the requirement to file.

For families, the penalty will be capped at \$285 for 2014 only. The tax then increases sharply for the next two years. In 2016, the top fine will be \$2,085. Lower- and middle-incomers will get an income tax credit to help them afford coverage. Again this will also probably be a surprise to many, when they find the government does not believe them to be a poor as they believe themselves to be. [Click here to read more.](#)

Featured Client



Date

Saturday, October 06, 2012 at 9:00 AM

Location

Bunker Hill Forest Preserve Grove #7
Niles , Illinois

Contact

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For more information or to donate, please visit:

www.wrightwayrescue.net