

October 31, 2014

Dear Valued Clients,

I hope and trust you are having a great year, and I want to thank you for once again voting our accounting firm “The Best of South Kitsap!” This year, I am taking the unusual step of writing you well in advance of year-end to give you extra time to plan and prepare for some significant changes imposed by Congress and the IRS in your income tax reporting requirements. As in the past, we expect Congress to address some last minute tax law changes after the election that will impact everyone, and we will work to inform you of any of those additional updates.

Affordable Care Act In 2009, Congress passed the Affordable Care Act (often termed ‘Obamacare’ by media outlets). Many of the provisions of that law were set to take effect several years out from its enactment. While many of the new taxes imposed by that legislation started *last* year, many of your personal reporting requirements take effect *this* year. ***For those with Medicare coverage, this section will not likely apply to you.***

Five new tax forms for the 2014 filing season were released by the IRS as a result of the Affordable Care Act. If you receive a new Form 1095 from any issuer or agency, we **MUST** have all copies to prepare your tax return. If you do not receive a Form 1095, you will need to provide detailed information on a month-by-month basis about your health insurance coverage so that we can help you avoid any penalties for failure to have health insurance. If you had changes to the health insurance coverage for any member of your household this year, extra effort may be required to properly trace and document your insurance coverage and the premium payments you made in order for us to properly report it to the IRS.

For employees of companies with 50 or more workers (large employers), you should receive the new Form 1095 about any health insurance coverage you were provided, which will aid you in your tax document organizing. For small employers, this information reporting is optional, as it may require extensive efforts for small employers to prepare. I have attached samples of some of the proposed new forms so you can anticipate the complexity involved with this new health insurance reporting mandate and ‘Individual Shared Responsibility’ tax.

This year’s IRS tax changes, directly related to the Affordable Care Act, will increase the amount of time it takes to prepare your return, from one to three hours in some cases. This could potentially add as much as \$100-250 to your tax preparation bill. **Your advanced research, organization, and preparedness in regards to the items needed to report your health insurance to the IRS will assist us in properly and expeditiously preparing your tax return.**

Children/Student Tax Returns Because of the complexity of the new health insurance reporting rules, I am advising that you *should not*, under any circumstances, allow your dependent children or college students to file their own returns this year. We must file their return, in coordination with yours, because of the careful reporting required under the new Affordable Care Act IRS forms. Allowing a child to file their own return, particularly a student, can potentially cost the child and parent literally thousands of dollars in Health Care penalties and/or credits, if extensive effort and time is not given to properly file the needed forms in a coordinated fashion.

Health Insurance & Medical Expense Deductions The 2009 Affordable Care Act also imposed a higher tax by way of further limiting how much of a tax deduction you may receive for medical costs, including health insurance deductions (effective in 2013). The amount of your medical expenses, in most cases, must now be more than about 10% of your income before you can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance.

Charity An important reminder: ALL deductions of *any* amount must have a receipt under the new IRS rules. Any single contribution over \$250 must *also* have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return (in case you need to ask for a replacement letter from the organization).

Rental Property If you own rental property, the IRS is now demanding substantially more information. We now need, **for each property, separately stated:** the physical location, the type of property (single-family, duplex, commercial, etc), Forms 1099-K/1099-MISC received, and a record, *by property*, of the number of days rented and the number of days used for personal purposes, as well as the usual income/expense items for each rental property.

Surtaxes If you are in what the press has called the “2% Club,” note that the rest of America will soon be joining you! When the surtaxes on this group of Americans were passed, Congress purposefully did not adjust the thresholds for inflation, and in six years, over 50% of ALL Americans will pay these surtaxes based on estimated inflation rates. Begin planning *now* (whether or not you are currently a 2% Club member) by being proactive, in this order: maximize your 401(k) contributions, utilize your employer-sponsored cafeteria plans to its fullest limit, use employer-sponsored fringe benefits such as child care and education, and seek reimbursements from your employer for job related expenses (instead of deducting unreimbursed costs on your tax return).

Form 1099-K If you receive any Form(s) 1099-K, which report payments made by credit card companies to you or to your business, please be sure to bring it/them to us. They are more critical now than ever before to include with your tax documents you share with us.

Literally *hundreds* of other tax law changes, extensions and deletions need to be considered this year while preparing your tax return. Because of these changes, **we are requesting that everyone have their tax information to us at least two weeks earlier than normal, and no later than March 21, 2015, if you wish to file by April 15th. For returning clients, we will automatically extend your tax return this year if we have not received complete information from you by March 21.**

Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support, your trust in us to be your tax experts, and for your referrals!

David C. Rhine, CPA
Managing Principal
Cox & Lucy CPAs

Department of the Treasury
Internal Revenue Service

► Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a.

CORRECTED

2014

Part I Recipient Information

1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name		
4 Recipient's name	5 Recipient's SSN		6 Recipient's date of birth	
7 Recipient's spouse's name	8 Recipient's spouse's SSN		9 Recipient's spouse's date of birth	
10 Policy start date	11 Policy termination date	12 Street address (including apartment no.)		
13 City or town	14 State or province	15 Country and ZIP or foreign postal code		

Part II Coverage Household

	A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16					
17					
18					
19					
20					

Part III Household Information

Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit
21 January			
22 February			
23 March			
24 April			
25 May			
26 June			
27 July			
28 August			
29 September			
30 October			
31 November			
32 December			
33 Annual Totals			

Employer-Provided Health Insurance Offer and Coverage

► Information about Form 1095-C and its separate instructions is at www.irs.gov/1095c.

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CORRECTED

Part I Employee

Applicable Large Employer Member (Employer)

1 Name of employee		2 Social security number (SSN)		7 Name of employer			8 Employer identification number (EIN)			
3 Street address (including apartment no.)				9 Street address (including room or suite no.)			10 Contact telephone number			
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code

Part II Employee Offer and Coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Premium Tax Credit (PTC)

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

Name shown on your return

Your social security number

Relief (see instructions)

Part 1: Annual and Monthly Contribution Amount

1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d	1	
2a	Modified AGI: Enter your modified AGI (see instructions) 2a	2b	Enter total of your dependents' modified AGI (see instructions)
3	Household Income: Add the amounts on lines 2a and 2b	3	
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC	4	
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)	5	%
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%). <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.		
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7	
8a	Annual Contribution for Health Care: Multiply line 3 by line 7 8a	8b	Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)
 Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. **No. Continue to line 10.**

10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21-32, columns A and B?
 Yes. Continue to line 11. Compute your annual PTC. Skip lines 12-23 and continue to line 24.
 No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.

Annual Calculation	A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCPSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	A. Monthly Premium Amount (Form(s) 1095-A, lines 21-32, column A)	B. Monthly Premium Amount of SLCPSP (Form(s) 1095-A, lines 21-32, column B)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21-32, column C)
12 January						
13 February						
14 March						
15 April						
16 May						
17 June						
18 July						
19 August						
20 September						
21 October						
22 November						
23 December						

24 Total Premium Tax Credit: Enter the amount from line 11E or add lines 12E through 23E and enter the total here **24**

25 Advance Payment of PTC: Enter the amount from line 11F or add lines 12F through 23F and enter the total here **25**

26 Net Premium Tax Credit: If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If you elected the alternative calculation for marriage, enter zero. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 **26**

Part 3: Repayment of Excess Advance Payment of the Premium Tax Credit

27 Excess Advance Payment of PTC: If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here **27**

28 Repayment Limitation: Using the percentage on line 5 and your filing status, locate the repayment limitation amount in the instructions. Enter the amount here **28**

29 Excess Advance Premium Tax Credit Repayment: Enter the smaller of line 27 or line 28 here and on Form 1040, line 46; Form 1040A, line 29; or Form 1040NR, line 44 **29**

Part 4: Shared Policy Allocation

Complete the following information for up to four shared policy allocations. See instructions for allocation details.

Shared Policy Allocation 1

30	a Policy Number (Form 1095-A, line 2)	b SSN of taxpayer sharing allocation	c Allocation start month	d Allocation stop month
Allocation percentage applied to monthly amounts		e. Premium Percentage	f. SLCSP Percentage	g. Advance Payment of the PTC Percentage

Shared Policy Allocation 2

31	a Policy Number (Form 1095-A, line 2)	b SSN of taxpayer sharing allocation	c Allocation start month	d Allocation stop month
Allocation percentage applied to monthly amounts		e. Premium Percentage	f. SLCSP Percentage	g. Advance Payment of the PTC Percentage

Shared Policy Allocation 3

32	a Policy Number (Form 1095-A, line 2)	b SSN of taxpayer sharing allocation	c Allocation start month	d Allocation stop month
Allocation percentage applied to monthly amounts		e. Premium Percentage	f. SLCSP Percentage	g. Advance Payment of the PTC Percentage

Shared Policy Allocation 4

33	a Policy Number (Form 1095-A, line 2)	b SSN of taxpayer sharing allocation	c Allocation start month	d Allocation stop month
Allocation percentage applied to monthly amounts		e. Premium Percentage	f. SLCSP Percentage	g. Advance Payment of the PTC Percentage

34 Have you completed shared policy allocation information for all allocated Forms 1095-A?

Yes. Multiply the amounts on Form 1095-A by the allocation percentages entered by policy. Add allocated amounts across all allocated policies with amounts for non-allocated policies from Forms 1095-A, if any, to compute a combined total for each month. Enter the combined total for each month on lines 12–23, columns A, B, and F. Compute the amounts for lines 12–23, columns C–E, and continue to line 24.

No. See the instructions to report additional shared policy allocations.

Part 5: Alternative Calculation for Year of Marriage

Complete line(s) 35 and/or 36 to elect the alternative calculation for year of marriage. For eligibility to make the election, see the instructions for line 9. To complete line(s) 35 and/or 36 and compute the amounts for lines 12–23, see the instructions for this Part 5.

35	Alternative entries for your SSN	a Alternative family size	b Monthly contribution	c Alternative start month	d Alternative stop month
36	Alternative entries for your spouse's SSN	a Alternative family size	b Monthly contribution	c Alternative start month	d Alternative stop month