

## Client *NEWSLETTER*

July 2010



### MILEAGE RATES

2010  
(cents per mile)

Business	50.0
Medical	16.5
Moving	16.5
Charity	14.0

### IMPORTANT DATES



Extended Individual tax returns due:  
**October 15, 2010**

Individual federal/state estimated tax payments due:

**September 15, 2010**  
**January 18, 2011**

Extended Corporate tax returns due:  
**September 15, 2010**

Extended Partnership/estate/trust tax returns due:

**September 15, 2010**

VT Homeowner Prebate / Renters' Rebate Claims:

**September 1, 2010**

### HEALTH CARE REFORM

Earlier this year, Congress enacted the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. These two Acts contain many tax provisions so we've selected the items that pertain to most of our clients.

#### INDIVIDUALS

#### Health Savings Accounts (HSAs)/ Flexible Spending Arrangements (FSAs)

After this year, individuals may no longer use their HSAs, FSAs, or Archer Medical Savings Accounts (MSAs) to reimburse or purchase over-the-counter medications. Only prescribed drugs or insulin will be covered. The 10% penalty imposed on nonqualified distributions from an HSA will be increased to 20% as will the 15% penalty for MSAs.

Beginning in **2013**, all FSA expense reimbursements will be subject to a maximum of \$2,500.

#### Increase in Medical Deduction Threshold

Also beginning in **2013**, for taxpayers under the age of 65, qualified medical expenses will be subject to an increased threshold of 10% rather than the current threshold of 7.5%. The increased threshold will apply to taxpayers age 65 and older beginning in **2017**.

#### Excise Tax on Uninsured Individuals

U.S. Citizens and legal residents must maintain a minimum level of health insurance coverage. Exemptions are provided for incarcerated individuals, those not legally present in the United States, or for certain religious beliefs. The penalty will be phased in from **2014 through 2016**. In the initial year, individuals who fail to obtain minimum health insurance coverage will be subject to an excise tax equal to the greater of 1) \$95 per uninsured adult in the house

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*(Health Care Reform, continued)*

hold, or 2) 1% of household income over the filing threshold. (The filing threshold is the amount of income required for income tax filing.)

#### Premium Assistance Credit

Available beginning in **2014**, individuals with income between 100% and 400% of the federal poverty level will receive a credit towards their health insurance premium. The credit is calculated as 2% to 9.5% of income and can either be sent directly to the insurance carrier or claimed on the tax return.

### **BUSINESSES**

#### Small Business Tax Credit

This credit will be phased in between **2010 and 2013**. Initially, the maximum credit equal to 35% of nonelective insurance premiums paid on behalf of the employees will be available to small businesses with up to 10 employees and average annual wages less than \$25,000. All other employers will receive a reduced credit. Over the years, the credit will grow to 50% of premiums paid.

#### Employer Reporting Requirements

Employers who self-insure health benefits must report certain information to the covered individual and to the IRS beginning in **2014**. The information will include, at a minimum, identifying information of the covered individual(s) and the dates covered under the policy.

The value of employer-sponsored health coverage must be reported on the employee's W-2, effective with the **2011** tax year.

### **OTHER**

#### Tax on Indoor Tanning Services

Beginning **July 1, 2010** there will be a 10% "sales" tax on indoor tanning services.



## **Vermont Department of Taxes**

### **PROPERTY TAX ADJUSTMENTS: *RETROACTIVE* CHANGES**

The State of Vermont has made three retroactive changes to the 2010 property tax adjustment (Prebate) applications. All three changes will reduce the amount received under the program for any homeowner affected by the change. The changes are as follows:

If a homeowner owns more than 2 acres, they previously received \$10-\$50 for up to five additional acres. This payment no longer exists.

For homeowners with household income greater than \$90,000, the amount of eligible school property tax will be limited to the tax on \$500,000 of home value. This means that, if a home is assessed at a value exceeding \$500,000, no additional prebate will be granted on the excess value.

Interest and dividends over \$10,000 will be counted twice in household income. The State believes this will reflect the homeowner's asset and ability to afford the property taxes.

The Vermont Department of Taxes has mailed over 39,000 letters to those homeowners who will be affected by these changes. The changes have been signed into law and may not be appealed.