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NORTH FLORIDA CONTACT

AUGUST 2012 Vol. XXXVI NO. 8

Calendar

8/15
● Payroll tax deposit due if liability is over $2500

8/20
● Sales tax reports due

Office Hours:

8 am to 5 pm
Monday - Thursday

Closed on Fridays

Important Dates!

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
Aug 1-3	Aug 8
Aug 4-7	Aug 10
Aug 8-10	Aug 15
Aug 11-14	Aug 17
Aug 15-17	Aug 22
Aug 18-21	Aug 24
Aug 22-24	Aug 29
Aug 25-28	Aug 31
Aug 29-31	Sep 6

BRACE FOR PPACA TAX ONSLAUGHT

The U.S. Supreme Court has spoken: It is generally upheld the constitutionality of the Patient Protection and Affordable Care Act of 2010 (PPACA), the controversial health care law that is often called Obamacare.

Alert: This means that the tax-related provisions in the PPACA will stand. Therefore, the tax bill for some taxpayers, especially those with higher incomes, will increase, starting next year.

Here are several key tax law changes that you will have to contend with unless something changes:

1. Medicare surtaxes: Beginning in 2013, high-income taxpayers will face two new Medicare tax burdens:

• A 0.9% Medicare tax is imposed on wages of single filers with earned income above $200,000 and $250,000 for joint filers.

• A 3.8 % Medicare tax applies to all or part of the "net investment income" received by single filers with a modified adjusted gross income (MAGI) above $200,000 and $250,000 for joint filers.

Net investment income includes capital gains, interest, dividends, royalties, rents, and income from passive activities. Distributions from qualified retirement plans and IRAs don't count.

2. Flexible Spending accounts: Currently, there is no limit on pretax contributions to flexible spending accounts (FSAs) used to pay qualified medical expenses. (A $5,000 limit applies to FSAs used for dependent care expenses.) Beginning in 2013, the PPACA caps the annual amount of health care FSA contributions at $2,500 (indexed for inflation thereafter).

3. Medical deductions: Under current law, you may deduct only qualified medical expenses in excess of 7.5% o f your adjusted gross income (AGI). Beginning in 2013, the law generally raises this "deduction floor" to 10% of your AGI.

However, an individual (and spouse) who is age 65 or older is temporarily exempt from this increase for tax years beginning after 2012 and before 2017.

Note: The PPACA doesn't make any adjustment in the allowable medical expense deduction for computing alternative minimum tax (AMT) liability. Thus, the medical deduction floor for AMT purposes, which was already at 10% of AGI, remains the same.

4. Individual mandate: After 2013, any individual not eligible for Medicare or Medicaid must obtain minimum essential health care coverage or pay a nondeductible penalty based on a flat dollar amount or a percentage of household income.

The maximum penalty will increase from $95 in 2014 to $695 (thereafter indexed for inflation). But the flat dollar penalty is cut in half for individuals under age 18 or college students. Also, the flat dollar penalty for a family can't exceed 300% of the applicable dollar amount for the year.

The PPACA also provides coverage subsidies to qualified lower-income individuals through premium assistance tax credits. The IRS will be responsible for determining eligibility.

5. Employer mandate: Beginning in 2014, an employer failing to offer minimum essential coverage in any month for an eligible full-time employee will be assessed a tax equal to 1/12th of $2,000 x the number of all full-time employees. This penalty applies to employers with 50 or more workers, but the first 30 workers are subtracted from the calculation.

TIP: Undoubtedly, we haven't heard the last word on health care reform. Stay tuned.

Small Business Tax Strategies — August 2012

When to Take Dividends in Lieu of Salary

Surprisingly, you may end up better off this year by having your corporation forgo a tax deduction.

Strategy: Make this a "dividend year." In other words, instead of receiving income in the form of tax-deductible wages, arrange to have the company pay out dividends to yourself. If you're in a high tax bracket and your company is in a low one, which is often the case for small business owners, you'll save tax overall due to the current tax break for qualified dividends.

Here's the whole story: Under the extended Bush tax cuts, dividends from domestic companies are generally taxed at a maximum 15% tax rate in 2012. Beginning in 2013, this tax break is scheduled to expire. Barring new legislation, dividends will be taxed at ordinary income rates reaching as high as 39.6% next year (up from a top rate of 35% in 2012).

Although wages are deductible by a C corporation and dividends are not, a business owner may benefit by shifting wages to dividends if he or she is in a higher tax bracket in 2012. In addition to the tax break for dividends, you avoid payroll taxes on amounts paid as dividends.

Example: You're in the 35% tax bracket and you receive an annual $100,000 salary from your C corporation business. The company is in the 25% bracket. If it pays $10,000 to you in dividends instead of wages, your income tax is $1,500 (15% of $10,000) as opposed to $3,500 (35% of $10,000), or $2,000 less.

Also, you save $565 in payroll tax (5.65% of $10,000), while the company saves $765 (7.65% of $10,000). Total savings: $3,330 ($2,000 + $565 + $765).

TIP: This strategy doesn't work for personal service corporations required to pay tax at a flat 35% rate.
What's more, due to the new 3.8% Medicare surtax, you could be paying an effective top tax rate of 43.4% in 2013.

Small Business Tax Strategies — August 2012

We have updated our webpage!

www.smallbg.com

In addition to adding a link to the SBG Portal, we have made a lot of other changes. You can now find our monthly newsletters on our webpage, as well as view a list of the services we offer. On our Staff page, we have included links to email our staff individually. For new clients, we have also provided more detailed directions to our office. We are adding sites to our Links page so, if you would like your website listed, send us an email with your webpage address and we will be happy to add you!

We will be using our webpage to let you know important information and news. So come browse our page to see what's going on at SBG!

NEW

New Law Requires Electronic Filing for Sales & Use Tax to Receive a Collection Allowance

As we have been telling you in our last few newsletters, starting with returns and payments due in July 2012, only taxpayers who electronically file and pay sales and use tax can deduct a collection allowance.

This change in law will affect returns and payments due beginning in July 2012 for:

- **Monthly** filers' June 2012 tax returns & payments
- **Quarterly** filers' April-June 2012 returns & payments; and
- **Semi-annual** filers' January-June 2012 returns & payments.

What if you don't want to use electronic filing for the Sales & Use Tax returns/payments? You can still use the Sales Tax coupons (replacement coupon books were recently sent out), however, you will **not** be able to take the collection allowance. If you want to save $30 by continuing to receive the collection allowance, then you will need to enroll for e-Services.

If you would like assistance in completing the online filing application, contact SBG at 731-2221.

Easy Access to the SBG Portal 24/7!

SBG Portal

You can now access your SBG Portal from www.smallbg.com. Simply click on SBG Portal

Enter your login and password for access to your SBG Portal.

For your convenience, we have included instructions on how to use the SBG Portal.

If you need assistance using the SBG Portal, contact Kewanna at 731-2221 or kgroman@smallbg.com.

GROW our Business

Help Us

Do you KNOW an Entrepreneur?

Refer them to Small Business Group & they will receive a one-on-one consultation...

FREE!

If they sign up with SBG, YOU could receive a credit on next year's client engagement.

Contact SBG at 731-2221