

January 2015

Dear Client,

In 2010, when Congress passed the Affordable Care Act (commonly called Obamacare or ACA), the effects seemed far away to many of us. Now that 2014 is here, there will be several direct effects upon every American, with the requirement that all Americans of all ages obtain qualified health insurance for the entire year. This requirement to obtain health insurance applies to you individually and to anyone you claim as a dependent on your return.

We need to obtain the following information from you in order to complete your return:

- a. Health insurer(s) for the year
- b. Number of months of coverage
- c. Members of your family covered by the above health insurance throughout the year

Some new forms will begin to be issued to taxpayers this year, primarily Forms 1095-A, B and C.

If you belong to a group health plan through your employer:

You may or may not receive a 1095. In 2014, employers are not required to issue them. We may ask you for verification of Health insurance if we feel it's necessary.

If you purchased insurance through Healthcare.gov (also called the Exchange or Market):

You will receive a Form 1095-A. These should be mailed by 1/31/15. In order to complete your 2014 return we must have this form. It provides necessary information for reporting your health insurance coverage and calculating any credit or penalty that may apply.

If you do not have health insurance and submitted an application for an Exemption from the Exchange:

You may have already received an "approved exemption" document. Bring that to us. If you have applied for an exemption but your application is pending, bring us the Exchange document that verifies pending status and we will report it on your tax return.

If you did not have health insurance in 2014 and did not apply for it:

Let us know. We will calculate your 2014 taxes to see if you must pay a penalty. The formula is based on household income and number of members in that household.

We encourage you to visit www.Healthcare.gov when you have a chance to see what's available to you in the form of insurance, and what premiums will really cost for your family so that you have a clear idea of the facts without a political or media based bias.

Of equal importance for 2014 are the multiple possibilities of tax mistakes made primarily by your dependent children who may work in 2014. The simplest guidance we can provide you to avoid this mistake is: **Do not allow any dependent children to file their own return, particularly college students. We also recommend that you do not try to file them yourself.**

Although this guidance appears self-serving for us, let us assure you that it is meant to protect you from your children inadvertently costing thousands of dollars in potential health care tax credits. The IRS recently released new Form 8962 to calculate the credit. In our continuing education classes we have learned how difficult it is to calculate the credit and how easy it is to make a mistake and lose the credit. We are estimating this new form will require substantially more preparation time for this year's return which means, as expected, that we will be raising fees. We are sorry about the increase but this is one of the costs of compliance with these new ACA requirements.

For those of you who have received an advance payment of the Health Care credit by purchasing insurance through the Exchange:

We need to warn you in advance that if you received a greater credit than allowed, you will be forced to repay the excess with this year's return.

A less talked-about aspect of the Affordable Care Act is the two new surtaxes. Many people incorrectly believe that only high income Americans pay these surtaxes, but because the tax is not adjusted for inflation, within a few years all Americans will pay the additional surtaxes. You need to take steps now to plan for this event and our advice is to utilize every fringe benefit your employer offers, maximize 401-k deferrals and call us if you are expecting a big bonus, stock or asset sale or any other major income change so that we can work with you to proactively minimize the effects of these new taxes.

As usual we thank you for your business in the past, and look forward to working together for many years.