

Fall 2013

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Dates to Remember:

- September 23, 2013 - HIPAA Changes in effect
- October 1, 2013 - Healthcare Insurance Changes (refer to article)
- October 15, 2013 - File your 2012 Personal Tax returns if on extension

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Health Insurance Changes Effective October 1, 2013



Marketplace Health Insurance Coverage which was to take place originally on January 1, 2014 has been delayed. This does NOT mean that you have nothing to worry about until next year. Most small employers (those with 50 or less full-time employees) are not required to offer health insurance coverage under the Affordable Care Act. Those businesses with more than 50 full-time employees have gotten a one year extension from penalties if they don't offer insurance. **But ALL employers are required to notify their employees about the marketplaces by October 1, 2013.**

Beginning January 1, 2014, individuals and employees of small businesses will have access to affordable coverage through the private health insurance market referred to as the "Health Insurance Marketplace." Open enrollment for health insurance coverage begins October 1, 2013. This requires that you provide a notice to employees of coverage options available through this Marketplace.

Insurance companies have already been approaching their businesses to see if they want to take advantage of the open enrollment or keep the coverage that they currently have. Employees can search for whether they make out better in the marketplace or take employer provided coverage if offered. There is no across the board correct answer.

There is a Model Notice to Employees of Coverage Options for employers who provide health insurance coverage and one for employers who do not provide insurance coverage. Copies of both can be printed from the Department of Labor website at www.dol.gov/ebsa/healthreform.



SAME SEX FILING STATUS FOR FEDERAL INCOME TAX PURPOSES

The US Department of the Treasury and the Internal Revenue Service (IRS) announced that all legal same-sex marriages will be recognized for Federal tax purposes if they were legally married in jurisdictions that recognize their marriages. For Federal tax purposes, the terms “spouse,” “husband and wife,” “husband,” and “wife” include an individual married to a person of the same sex if the individuals are lawfully married under state law, and the term “marriage” includes such a marriage between individuals of the same sex. When filing the 2013 return, use either Married Filing Jointly (MFJ) or Married Filing Separately (MFS) choices.

The IRS adopted a general rule recognizing a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple lives in a state that does not recognize the validity of same-sex marriages.



The ruling does not apply to individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state.

This ruling means that same sex couples will be treated as married for ALL federal purposes such as for gift and estate taxes. This impacts the filing status, claiming personal and dependency exemptions, taking the standard deduction as well as employee benefits, IRA contributions, earned income tax credit and child tax credit.

Individuals who were in same-sex marriages have the option of filing amended returns for *prior tax years* still open under the statute of limitations.

1099's

The end of the year is approaching and with that comes 1099's! Please make sure to obtain W-9's from your vendors. These forms ask for their business name, address and federal identification number which then gives you the information needed to generate the 1099's in early 2014. We will prepare these 1099 forms for you. They are due to the vendors by January 31, 2014. They are due to the Internal Revenue Service (IRS) by February 27, 2014.

Who do you need to issue a 1099? **Anyone who provides services to you that totals more than \$600 during the year and who are not incorporated.**

Some examples are:

- Attorneys **NOTE: Attorneys have a special rule-they are required to be issued a 1099 for \$10 or more; incorporated or not!**
- Accountants
- Consultants
- Janitorial Services
- Lawn & Snow removal services
- Laundry services
- Landscapers
- Maintenance & Repair Services
- Dental or Medical Laboratories
- Rent
- Temporary labor: **NOTE: Don't include if they came from an agency that takes care of their taxes.**
- Interest paid on a loan other than to a financial institution

You are required to have the completed W-9 form before the vendor receives their first payment. If they will not supply the form, you are to withhold 28% from their payments until they supply you with the form. The 28% is submitted to the IRS. If you do not withhold the 28% from their payment, you become liable for it.

As you can see, it is important to have the W-9's given to your vendors before they get paid. You will have their attention if their payment depends on that form being given to you.

The IRS has been increasingly serious about this issue and will penalize businesses who do not file the 1099 forms accurately or completely. The fines can range from several hundred dollars up to several thousand dollars depending on the situation.





HOBBY LOSS RULES

Understanding the Hobby Loss rules is an area of taxes that most do not fully understand. We look at the rules from one perspective but the IRS has their own criteria for what they will consider a hobby vs. a business. The reason the distinction is so important is because of the amount of losses that you are allowed to take if it is considered a hobby and not a business. There is a list of nine items the IRS looks at to make their determination and these items need to be looked at together.

- 1.The manner in which the taxpayer carries on the activity.
- 2.The expertise of the taxpayer or advisors.
- 3.The time and effort spent by the taxpayer in carrying on the activity.
- 4.The expectation that assets used

- may appreciate in value.
- 5.The taxpayer's success in other similar or dissimilar activities.
- 6.The taxpayer's history of income/loss with respect to the activity.
- 7.The amount of occasional profits.
- 8.Financial status of the taxpayer.
- 9.Elements of personal pleasure or recreation.

If the IRS challenges your activity they will basically go down the list and figure out your intention based on how they see you are conducting the activity. They like to see that you are carrying on the activity as you would a profitable business. Is there a business plan in place? Do you have a separate bank account? How much time do you spend on the activity compared to your primary job? How long does it take for this type of activity to show a profit? Do you have another source of income

that this activity is offsetting?

These are just some of the questions the IRS will ask in determining if the activity is a hobby or a business. The more you conduct the activity like a business and follow the guidelines listed above, the more likely it is the IRS will consider it a business. The benefit of the activity being a business is how the losses are handled. If the activity is a hobby, the expenses can be severely limited but you can carry the unused loss to future years. Obviously you want to conduct the activity as a business to obtain the most tax benefit but you will still be subject to the IRS criteria. It's a fine line sometimes and may be worth discussing in more detail.

LEASE vs BUYING

We are asked many times throughout the year whether it is better to lease or buy a vehicle. There is no one right answer to that question. Variables such as how much do you use it for business versus personal; what type of vehicle are you considering; how long do you want to drive it; how many miles do you drive each year. Every situation is different.

Leasing is an alternative method of buying a vehicle. If you don't drive more than maybe 10,000 to 12,000 miles per year and you like driving more expensive vehicles and you want a lower payment, leasing may be your answer. If you don't want to be bothered with repairs on a vehicle leasing may be the route you should take. If you like driving different

vehicles on a more frequent basis this could be the better decision.

Buying can be a good option if you put a lot of miles on a car because if you go over the mileage limit on a lease, you can pay a hefty price. If you like having that feeling of ownership now and not worry about mileage or turning it in and choosing another vehicle and want to or don't mind driving it for a while, buying could be better. If you enjoy the time without car payments

and see it as a longer investment, then this could be the way to lean.

Not everyone feels about cars the same way. Some people feel that they are simply a mode of transportation from point A to point B. Others feel that driving is an experience and they take pleasure in driving different types of cars for a variety of reasons. Both are right. You just have to know which category you are in. We are happy to help you in your decision making process.



Join Bob and Darla in St. Croix!

The Autumn chill is in the air and snow can't be far behind, so it's time to think about a winter getaway to the warm Caribbean! Our firm is a member of the Academy of Dental CPA's (ADCPA) and is getting ready for our 3rd annual Winter seminar. Get your continuing education in an exotic location and write it off on your taxes. With luxury resort destinations and flexible options for your CE credits, continuing education has never been so relaxing.

Where? The Buccaneer Gracious. Elegant. Legendary.

Registration to guarantee a room is October 31, 2013

When? January 27-31, 2014

Topics? Strategies for Financial Independence; How to Invest To Win the Loser's Game; Transitions/Associateships – Are You Ready; Aggressive Tax Strategies for 2013 with the New Law; Embezzlement – Protect Yourself NOW!; Internet Marketing Trends; Practice Management – Kick Up Your Net by 20%; Enhance Marketing Results; Unlock the Secrets In Your Numbers.

For complete info visit <http://www.adcpa.org/events/event.i>

To see what your peers have to say about our courses, visit www.YouTube.com/ADCPAs

We'd love for you to join us!

IF YOU MISSED IT...

If you missed it, Gray Pilgrim and Associates sent notice of the upcoming changes to Health Insurance Portability and Accountability Act (HIPAA). The changes explained in our correspondence are effective as of **September 23, 2013**.

There are new disclosures that need be made in informing individuals of their right to be notified of breaches of their Personal Health Information (PHI). There has also been a substantial lowering of the threshold for notification of affected individuals in the event of a breach of PHI and a requirement to conduct a documented assessment in the event notification is not provided in reliance on the harm threshold and the expansion of individuals' rights to access their PHI.

If you did not receive your letter regarding these changes, please feel free to contact us and request a copy.

For a more detailed explanation, we encourage you to contact your healthcare attorney in order to ensure you your practice has the proper documents in place and in order to be compliant with all laws.

GRAY PILGRIM AND ASSOCIATES 1ST ANNUAL GOLF TOURNAMENT

This past July, Gray Pilgrim and Associates hosted our first annual golf tournament. The tournament was at the beautiful Greencastle Golf Club.

Everyone enjoyed a relaxing day of golf and all walked away with a prize! Congratulations to Dr. Ethan Drake and his team who won the grand prize of \$400 for best team score! Congratulations also to Dr. Lutz, who walked away with a new iPad for the longest and straightest drive!



Dr. Ethan Drake loved his 1st place



The shot gun start at the Gray Pilgrim and Associates 1st Annual Golf Tournament!



Dr. Angela Lutz's team. Dr. Lutz (on left) came in first place for the longest and straightest drive! Congratulations!