A young man with dark, messy hair and large, round, yellow-rimmed glasses is looking directly at the camera with a wide-eyed, surprised expression. He is wearing a grey V-neck sweater over a blue and white striped collared shirt. He is holding a white handheld calculator in his hands, with his right hand on the keypad. The background is a plain, light-colored wall.

# TAX Guide

# Affordable Care and Taxes

**W**hen President Obama signed into law new healthcare reform in March 2010, he wasn't solely overhauling America's healthcare landscape as we knew it, but also our tax system.

The Affordable Care Act created a variety of tax credits and penalties for both individuals and business owners that you must pay special attention to while filing your income taxes.

The healthcare act includes several tax law changes that began impacting the tax system starting with 2013 federal income tax returns.

According to the National Association of Tax Professionals, here are the main takeaways from the tax adjustments caused by the Affordable Care Act:

- Employees report the total amount paid by them and their employer for health insurance premiums, flexible spending beyond payroll deductions and other premiums. This information must be reported on returns.

- For itemized deductions, the threshold for deducting medical expenses increases to 10 percent of your adjusted gross income.

- A 3.8 percent tax on net investment income is now applied to taxpayers at higher income levels based on filing status.

## THE MARKETPLACE & YOUR RETURN

If you didn't have health insurance for a total of three

or more months in 2015, you may pay a penalty that is reported and calculated on your tax return, according to the NATP. Fortunately, securing health insurance post-reform is an easy process that can be accompanied by pre-

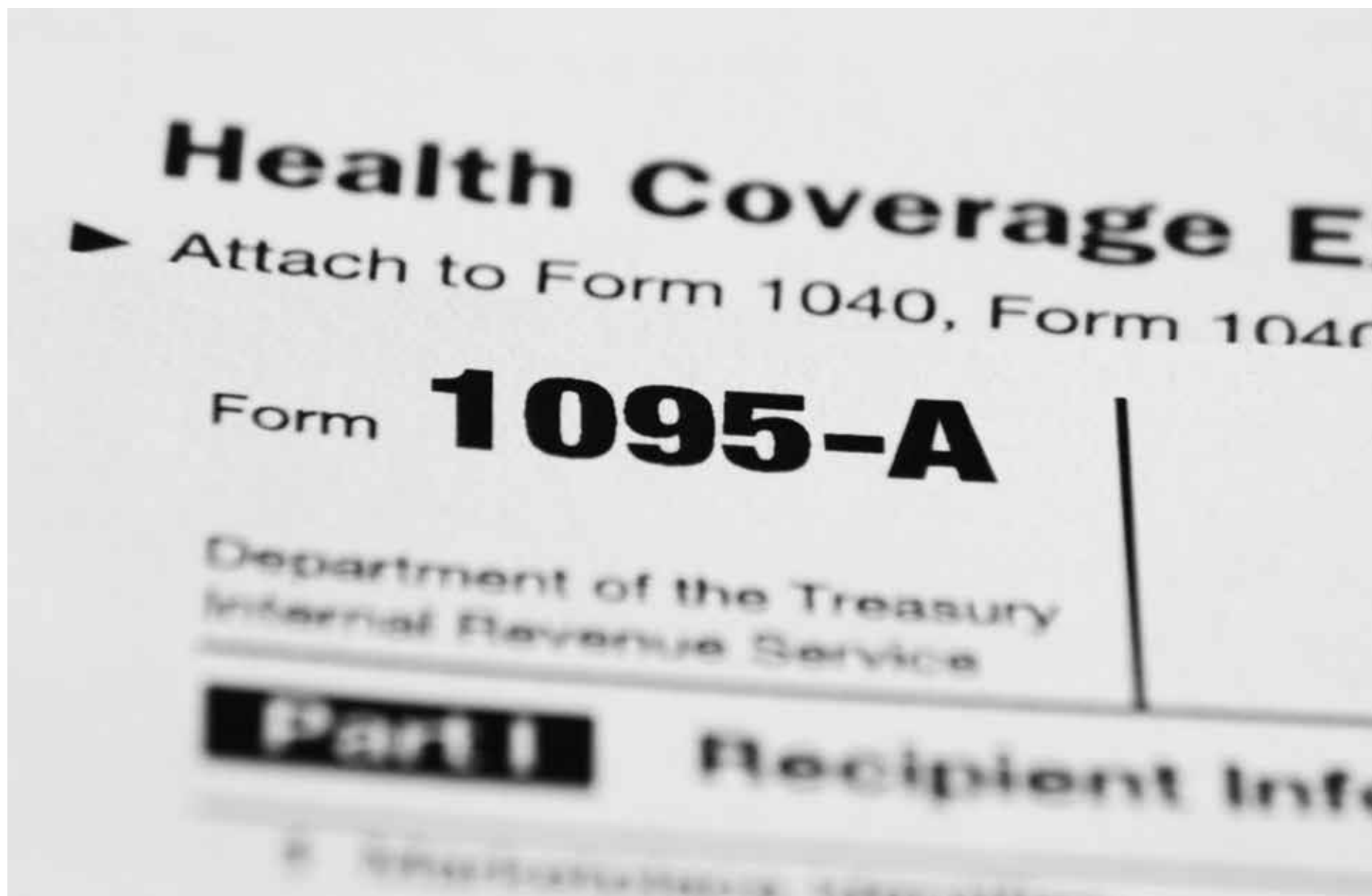
mium tax credits to help you better afford your monthly bill.

Eligibility and the amount of tax credits are based on the cost of marketplace premiums and your household size and income. Your online mar-

ketplace — either through your state or the federal version — spells this information out for you during the application process.

Even if you do not take advantage of the advanced premium tax credit, you can

still claim the refundable credit on your tax return, according to the NATP. Cost-sharing subsidies also may be available for other health care expenses, so be sure to ask your tax professional for all available options.



# Quick & Accurate Filing

**T**hose who come prepared leave with few surprises. That could be a motto of tax professionals, who urge clients to keep track of vital financial information throughout the year.

Before you head into your local Certified Public Accountant or start filling out your tax forms at home, be sure to compile all of the necessary information to properly complete your return on time.

## WHAT YOU WILL NEED TO FILE

Before visiting your local tax firm or sitting down to complete your forms on your own, be sure these materials are available and ready to reference:

- Photo identification
- Social Security cards for the taxpayer, spouse and dependents
- Birth dates for primary and secondary earners and dependents on the tax return
- Wage and earning statements (W-2, W-2G, and 1099-R forms) from all employers
- Interest and dividend statements from banks (1099 forms)
- A copy of last year's federal and state returns, if available
- Bank routing numbers and account numbers for direct deposit
- Other relevant information about income and expenses (such as total amount paid for day care, day care provider identifying number or tax ID).

## PREPARE YOUR DOCUMENTS

If you're a business owner, you should consider preparing monthly financial statements if you're not already. This will help you better understand how your busi-

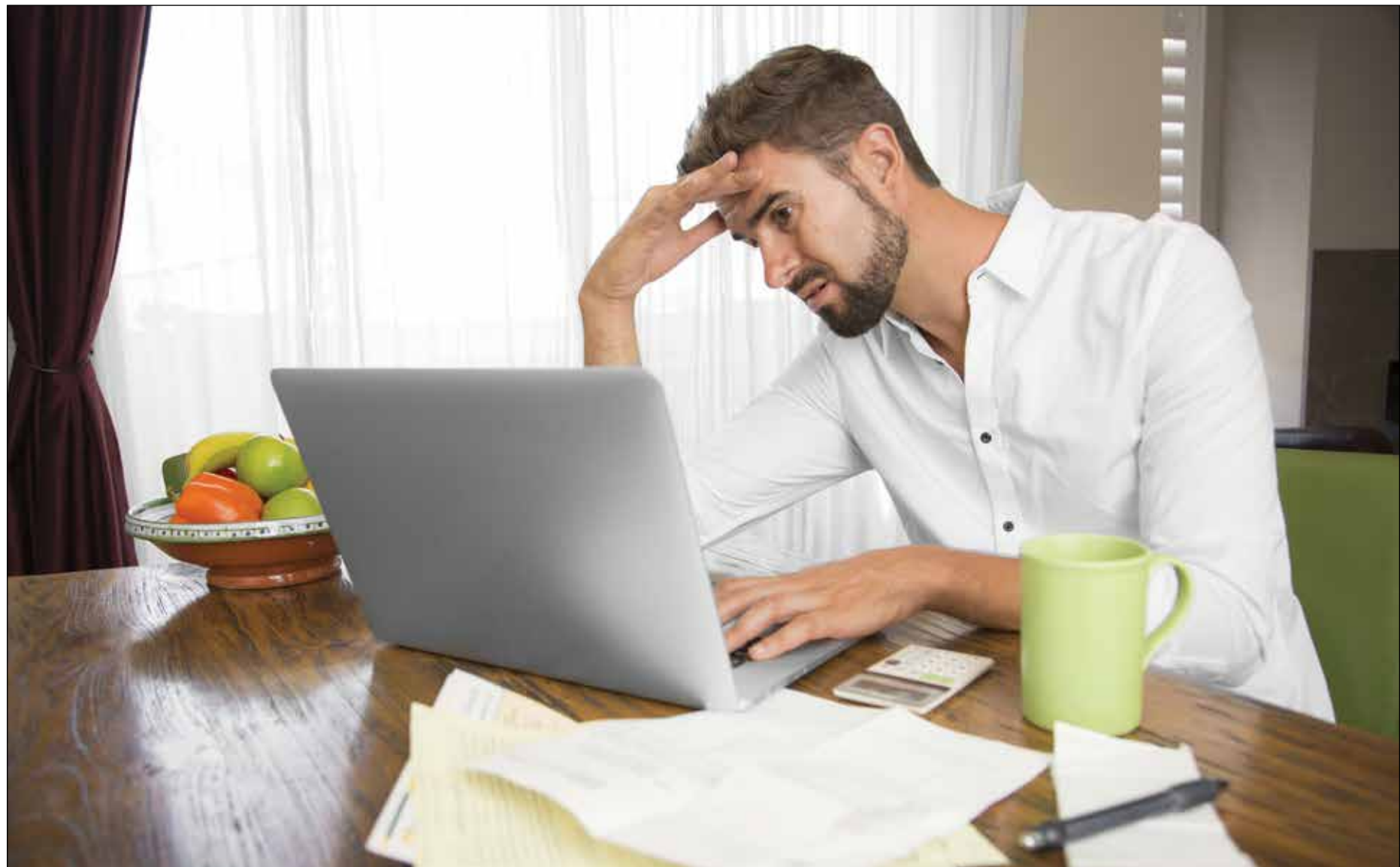
ness is doing, financially speaking. There are plenty of professionals available to help you with the process, and planning throughout the year will make the year-end tax processes much easier.

Individuals should take the

same approach, especially if they do freelance or contract work to supplement their regular income. Compile all of your invoices and payments to make sure you're keeping accurate books.

Everyone's home filing cab-

inet or online storage cloud should have copies of previous years' tax returns. This will help you maintain consistent filing information from year to year and can keep you on track if you're handling the filing of your own tax return.



# Why Hire a CPA?

**A** ccording to a recent survey by the National Society of Accountants, solo tax preparers charged an average of \$226 for the usual itemized federal form 1040 and state income-tax form last tax season, compared with \$260 for preparers at larger firms with three or more full-time staffers.

There's a reason for those charges, especially if you're working with a certified public accountant. CPAs go through intensive training to make sure they understand the various portions of the tax code and how they impact your return.

Sure, you can file your tax return on your own, but without the expertise of a CPA, you may miss opportunities for larger refunds or overlook critical mistakes.

## WHY A CPA?

A certified public accountant who specializes in performing individual income tax returns may be your best option. To find a CPA, check with friends and family members for local professionals they have dealt with.

You can also use the American Institute of Certified Public Accountants' Find a CPA tool on its website. Some are more focused on bringing on business clients, so be sure to call for an appointment and ask if the CPA handles individual income tax matters.

CPAs are generalists, meaning they are trained to handle a variety of tax situations. But feel free to make a list of three or four local CPAs and ask them their experiences related



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The CPA designation is widely recognized and respected as the most distinguished of its kind in the financial industry.

Accountants prompts you to ask yourself the following questions while conducting your search:

- Does the individual hold an active CPA license?
- Are your needs compatible with the CPA's personality and communication style?
- Does the CPA have the experience you need?

The answers to these questions should guide you to one particular CPA on your short list of potential accountants. Remember that a good relationship with your CPA is based on trust in the information you are providing and in his or her expertise to guide you through challenging tax matters.

to your unique situation. This is a great way to find the right CPA for your needs.

## FINDING THE RIGHT CPA

Whether you're hiring a CPA

to complete your tax return or handle your weekly payroll, you can trust that the CPA designation is widely recognized and respected as the most distinguished of its kind

in the financial industry.

But finding the right one for your individual or business requirements can be a challenge. The American Institute of Certified Public

# Miscellaneous Deductions

**Y**ou can deduct a broad range of your expenses to help lower your tax bill or even get a refund.

Most of the deductions are subject to limitations, so be sure to check with a tax professional before submitting your list to the Internal Revenue Service.

A CPA or other form of tax preparer can enter your information and determine if it's better for you to itemize or take the standard deduction. This will depend on how many deductions you can come up with compared to the deduction that is standard for your tax bracket.

From the IRS, here is a list of possible expenses to deduct from your taxes this year:

- Union or professional affiliation dues;
- Subscriptions to work-related magazines and other publications;
- Business liability insurance premiums;
- The cost of protective work clothing, such as safety shoes or glasses;
- Tools and supplies used in your work;



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- Employer-required medical examinations;
- Tuition for classes that maintain or improve the skills required for your present job;
- Expenses for a job search,

- including resume costs, career counseling and employment agency fees;
- Depreciation on your computer or cellular phone;
- The fees your financial

- institution charges to maintain your IRA account;
- Fees you pay to get your taxes done, or if preparing you return yourself, costs related to research, books or publica-

- tions; and
- Legal fees that you pay to protect your taxable income, including fees for assistance in helping you keep your job or for tax planning purposes.

# Small Business Tax Tips

**R**unning a small business has many perks, one of them being the amount of deductions you can pile up at tax time. Everything from mileage to independent contractor payments can help defray taxes.

Even if you're not the most financially savvy entrepreneur, you can lean on a CPA or other tax professional to walk you through your tax returns, as well as to give you tips on making the most of your deductions and business expenses.

Small Business Computing offers a number of tips for small businesses at tax time, including keeping track of all business expenses throughout the year and always opting to deduct mileage instead of actual auto expenses. Here are a couple of others:

- Keep business and personal expenses separate, which means maintaining different checking accounts and credit cards for the business.

- Review the Small Business Jobs Act Tax, signed into law in 2010, which has nearly 20 initiatives aimed at decreasing the tax burden of small businesses.

## **DONATIONS ARE DEDUCTIBLE**

Company donations of money, supplies and property are all deductible expenses, according to the Internal Revenue Services. As are bonuses awarded to your employees, partners and officers.

You also should consider



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devoting a portion of your time for professional development endeavors. By taking a class or seminar, you are not only broadening your expertise; you're also creating a helpful tax deduction.

## **TRACKING YOUR PERSONAL DEDUCTIONS**

If you use your home for your business, you should be able to deduct mortgage interest, insurance, utilities, repairs and depreciation.

If your business is a corporation or partnership, you can deduct actual expenses for non-personal use of your personal vehicle, according to the IRS. Actual expenses may include costs for fuel, maintenance and parking fees. Keep detailed mileage records comprised of date, total miles, tolls, parking and the purpose of the trip. This will help give your accountant plenty of information for filing your tax return.

# Prevent Tax Fraud

**J**ust like any form of identity theft, the tax-related variety can be a frustrating, scary experience. It occurs when someone uses your stolen Social Security number to file a tax return claiming a fraudulent refund.

This type of criminal act can go undetected until you receive an IRS notice or try to file your return. If your Social Security number has already been used to file a return, you will be rejected by your tax preparer's system.

What can you do to make sure you're not the next victim of tax-related identity theft? The key is being diligent about your personal information. The IRS has put together a detailed list of common pitfalls that lead to identity theft. Follow them and incorporate the main points of emphasis into your everyday information protection efforts.

- The IRS does not initiate contact with taxpayers by email or social media to request personal or financial information, so any unexpected email purporting to be from the IRS is always a scam. Taxpayers are urged to forward any scam email claiming to be from the IRS to [phishing@irs.gov](mailto:phishing@irs.gov).

- Another example of a common scam is an urgent, unsolicited phone call from someone claiming to be an IRS agent threatening you with arrest or deportation if you fail to pay immediately. Report these calls and other IRS impersonation schemes to the Treasury Inspector



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General for Tax Administration at 800-366-4484 or online at IRS Impersonation Scam Reporting at [treasury.gov](http://treasury.gov).

- If you discover a website that claims to be the IRS but

does not begin with [www.irs.gov](http://www.irs.gov), forward the link to [phishing@irs.gov](mailto:phishing@irs.gov).

## PROTECT YOURSELF

The best way to protect your identity is through vigi-

lance. Be mindful of what is going on around you. Do not routinely carry your Social Security card with you, and be careful about sharing your number.

The IRS urges Americans to

check their credit on an annual basis, as well as their Social Security Administration earnings statement. Dramatic changes in either one of these documents can be a tipoff to illegal identify theft.

# Check Your Withholdings

**E**specially if you recently started a new job, checking your withholdings is one of the most important steps you can take to ensure the accuracy of your income tax return.

Besides wages, income tax is often withheld from other types of income, and ideally taxpayers should try to match their withholdings with their actual tax liability, according to the Internal Revenue Service.

Failing to stay on top of your withholdings can lead to owing more tax at the end of the year if not enough tax is withheld. If too much tax is withheld, you could lose out on extra money until your refund arrives.

## WHY & HOW TO CHECK

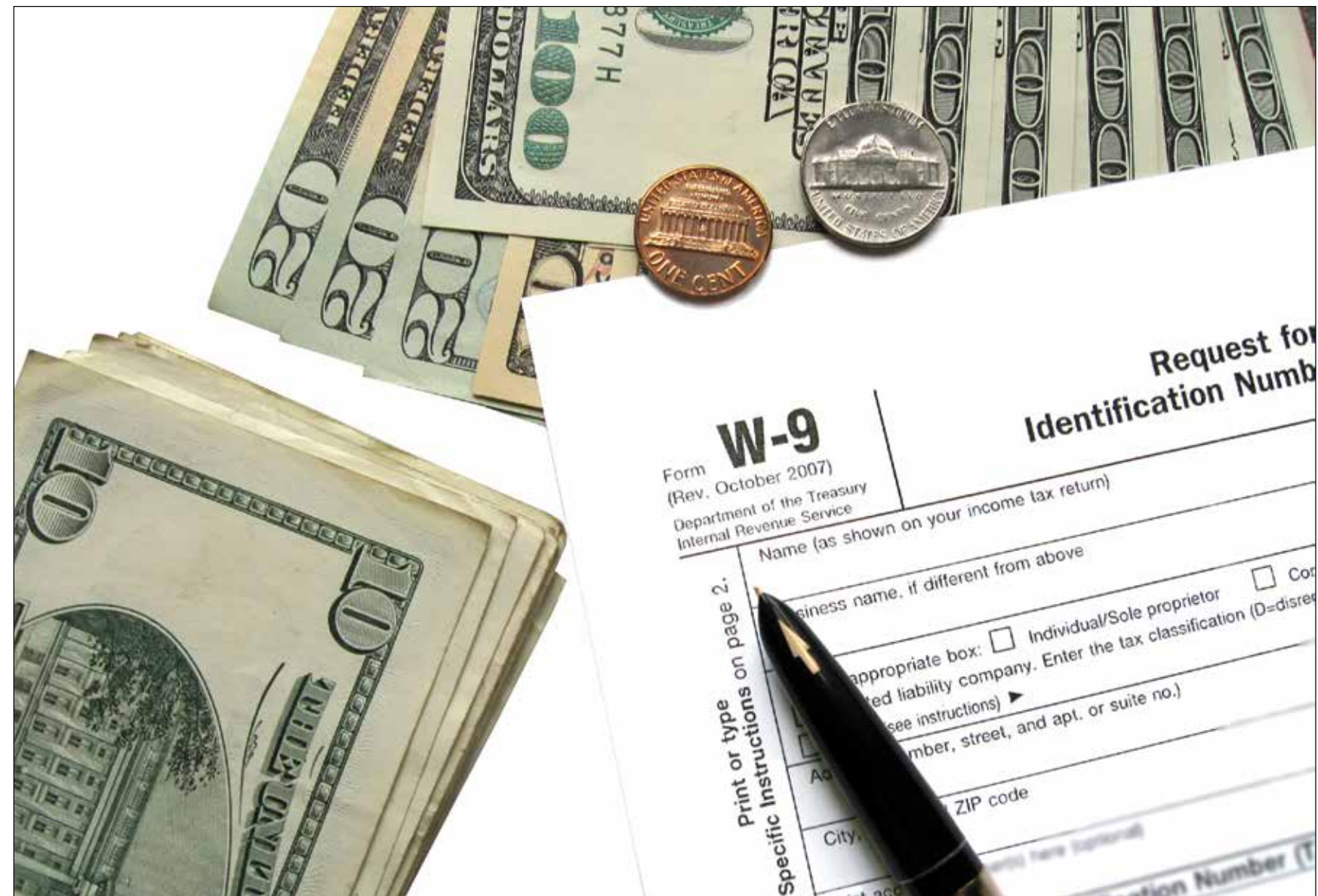
Taxpayers should check their withholdings any time there are personal or financial changes that could impact their tax liability. These life events could include marriage, divorce, having a child or buying a home.

As for finding out the optimal withholdings, IRS.gov features a helpful Withholding Calculator to help taxpayers figure the appropriate federal income tax withholdings so their employers can withhold the correct amount from their pay.

## CHANGE YOUR WITHHOLDINGS

If any of the aforementioned events occur during the year, many of your tax return requirements can change, including your marital status, exemptions, adjustments, deductions or credits. It is best to find out your appropriate withholding amount to accurately measure these key factors.

To change your withholdings, you'll need to give your employer a new Form W-4, Employee's Withholding



Allowance Certificate. This can change your withholding status or number of allowances.

## OTHER CONSIDERATIONS

According to the IRS, taxpayers who bought 2015 insurance coverage

through the Health Insurance Marketplace should report changes in circumstances to the Marketplace when they happen. Doing so will help taxpayers receive accurate advance payments of the premium tax credit.

Receiving too much or too little in

advance can affect the amount of your refund or how much you may owe when you file your tax return. To keep your taxes on the level and to avoid any surprises in April, follow the rules associated with your state's marketplace.