

The Acumen Insider

ACUMEN FINANCIAL, CPA

Discover the benefits of a small firm with big ideas!

February 2014



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Acumen's Mission

Acumen is innovative and creative in providing quality solutions to reach client's goals.

Quick Links

Dear Clients,

Wow, this weather! February has certainly arrived and we are toiling away around here, with audits, tax returns and accounting process outsourcing. We look forward to having a smooth busy season and happy clients!

Did you know?

The word "accountant" comes from the French word "compter," which means to count or score. Over time, the "p" was dropped in both spelling and pronunciation. Today's spelling replaces the late Middle English spelling of "accowntant."

Signing the E-File Form

Please know- there is a requirement to review your return prior to signing you E-file form. Your signature verifies to the IRS that you have reviewed and approved your tax return for accuracy, regardless of who prepared the return.

You can review several ways- in person, a digital copy over the portal or request a mailed draft. Our Admin staff will ask how you want to review your return when we receive your information.

The Affordable Care Act & Medicare Regulations

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We love referrals!

**Acumen would like to
recognize the positive
impacts our clients have in
our community!**

*Would you like us to highlight
your company in next month's
Acumen Insider?*

Reply to this month's Insider for
more information.

A quick review of some of the new regulations:

The Employer & Individual Mandates

Employer

- Large employer Play or Pay- effective 2015
 - 50+ full-time employees during the previous calendar year
- Penalties for non-participation:
 - "No Coverage" penalty
 - Applicable if employer does not offer minimum essential insurance to at least 95% of full-time employees and at least one employee qualifies for the Premium Assistance Credit
 - "Lacking Minimum Value or Unaffordable" penalty
 - The employer does offer minimum essential coverage to at least 95% of employees, but at least one employee qualifies for the Premium Assistance Credit

Individual

- Beginning in 2014, most individuals are required to have health insurance for themselves and their dependents.
 - Exemptions:
 - Religion
 - Member of Health care sharing ministry
 - Indian tribes
 - Short coverage gap (less than 3 months)
 - Unaffordable coverage options (minimum you must pay for premiums is more than 8% of your Adjusted Household Income)
- Penalty for not being insured:
 - For 2014- the greater of 1% of applicable income or \$95.
- Minimum Essential Coverage includes:
 - Coverage in government-sponsored programs
 - Coverage under an eligible employer-sponsored plan
 - Coverage under a health plan offered in the individual market, including a plan offered by an Exchange
 - Coverage under a grandfathered health plan

Premium Limits for Older Individuals and Smokers

Significant changes to insurance premium rate settings involve the following:

- Limiting the amount insurers can charge older individuals to no more than three times what they charge younger individuals
- Limiting to 1.5 times what insurers can charge smokers versus nonsmokers.

Additional 0.9% Medicare Tax

Individuals must pay an additional 0.9% Medicare tax on earned income above certain thresholds. The employee portion of the Medicare tax is increased from 1.45% to 2.35% on wages received in a calendar year in excess of \$200,000 (\$250,000 for married couples filing jointly; \$125,000 for married filing separately). Employers must withhold and remit the increased employee portion of the Medicare tax for each employee whose wages for Medicare tax purposes from the employer are greater than \$200,000.

The Individual is responsible for paying the additional 0.9% Medicare tax

Josh and Anna are married. Josh's salary is \$180,000, and Anna's wages are \$150,000. Assume they have no other wage or investment income. Their total combined wage income is \$330,000 (\$180,000 + \$150,000). Since this amount is over the \$250,000 threshold, they owe the additional 0.9% Medicare tax on \$80,000 ($\$330,000 - \$250,000$). The additional tax due is \$720 ($\$80,000 \times .009$). Neither Josh's nor Anna's employer is liable for withholding and remitting the additional tax because neither of them met the \$200,000 wage threshold.

If you feel you may be subject to these regulation changes, or have any questions, please contact our office for more information.

Estate Planning

*Contributing Writer- **Denise Soto** of Soto Law Firm, PC.*

Denise has been practicing law for 15 years after graduating from Willamette University Law School. She specializes in Estate Planning, planning for disability, probate, guardianships, conservatorships, estate litigation, Medicaid, wills and trusts for probate avoidance and taxable estate planning.

When imagining how to pass assets to your loved ones or charitable beneficiaries, pretend you are taking a snapshot with a camera on the day you either become disabled or pass away. What do you see in the picture? Who do you see as your helpers- those who help you make decisions, pay your bills, or in charge of your assets? Who do you see as your beneficiaries? What can you do in advance to eliminate decisions or tasks that they will have to take care of? Here are some simple steps that will help you take action.

First: Gather Information

See if your attorney has a form for you to fill out. If not, then:

- Gather full legal names, dates of birth, addresses and phone numbers of all children, beneficiaries and other persons who are to be mentioned in your documents.
- Determine who should receive specific items.
- Determine who should receive household goods and personal items.

- Determine who should receive the rest.

Second: Think about what you want if you go through a period of disability

Determine who you trust the most to be in charge of you and your assets during your disability if you need help.

- Do you want the person who makes your medical or daily living decisions to be the same person who manages your finances, or do you want it to be someone else?

Third: Think about who you want to be in charge after your death.

Determine who will be in charge of your estate after you pass away- should it be the same person who helped you during your disability or someone different?

Fourth: Write down your issues and concerns.

In preparation for talking to your attorney, write down issues that you are worried about and persons whom you do not want involved in your life or your estate administration after you are gone.

Fifth: Make the appointment with the attorney of your choice, be sure to include your accountant as well.

Your accountant will consider:

- The size of the estate
- The kind of assets- are they easily transferable or do they require appraisal?
- A Business Succession Plan, if applicable
- How the assets will be handled. Some options available include:
 - Trusts
 - Charitable contributions of the estate
 - Gifts of money or estate prior to death
 - Direct transfer of properties or selling prior to distribution
 - Lump sum distribution of cash

By having your attorney and accountant work together, you will keep yourself well prepared for your later years.

Please contact our office to get the process started for you or to bring us in to the conversation with your attorney.

Tax Rate Changes

2013

- Maximum tax rate is now 39.6%, up from 35%
- Capital gains and dividends have increased from 15% to 20%
- 3.8% Medicare tax on net investment income
- 0.9% hospital insurance tax that applies to unearned

income of high-income individuals

- There are hidden taxes in the form of the reinstatement of Pease and PEP - the limitation on itemized deductions and the personal exemption phaseout.

2014

- The bonus 50 percent depreciation has expired
- Section 179 deduction decreases from \$500,000 to \$25,000
- For businesses- all need to have a written capitalization policy
- Any amounts paid to improve a unit of property must be capitalized
- On the other hand, deductible repair and maintenance expenses are defined in a negative way- they are deductible if not otherwise required to be capitalized

At the Firm- Meet our Staff

Now is your opportunity to meet the people on the other end of the phone and behind the front desk, Acumen's administrative staff!



Kristy (Wood) Johnson started with the firm in 2010. She is the Office Manager and based out of the Albany office. Kristy is an alum of Western Baptist College (now Corban University) with a Bachelor's degree in English. After several years with Hollywood Video, she joined the team here at Acumen. She brings her customer service expertise and is one of the primary points of contacts for all of you, our clients. Kristy got married this past June and recently got a kitten, Isabelle. She and her husband, Brian,

love to read, watch movies, and play board games.

Lori Bailey came on board with Acumen in September. She is the Administrative Assistant and Receptionist in the Wilsonville office. She brings experience from other local accounting firms similar to Acumen and has filled an important gap in the company. She attended Oregon State University and



has two sons who are currently in college. Lori and her husband, Bob, live in Oregon City where she is active with their church choir and he likes to hunt and fish. Together they like to attend OSU football games and play with their new yellow lab, Coho.