



Bill R. McCracken Accounting, Tax & Financial Services

Accredited Business Accountant®

Enrolled Agent

Licensed Tax Consultant

(503) 656-0699

P.O. Box 2214
Oregon City OR 97045
(503) 656-1980 Fax
mrbilltaxman@msn.com
www.mrbilltaxman.com

You would never know I'm nearly 11!

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Health Care Reform legislation dominated the news earlier in the year. Some provisions will impact personal tax returns, others will be important for employers. If there are no changes or modifications, most of the legislation will be rolled out over the next four years. Some components will be temporary to ease the transition. We are highlighting a few of the most prominent being enacted this year and next. If your employer offers health insurance or cafeteria plans as an employee benefit, you will want to pay attention during your annual open enrollment period to see if your employer is making any changes. This newsletter is dedicated to all things health!

Deducting Your Medical Expenses

Medical expenses are deductible for those who itemize on their federal tax return *and* after the expenses exceed 7.5% of your adjusted gross income (this threshold may rise to 10% in a few years, under the Health Care Reform bill). Oregon taxpayers age 62 and older may qualify to deduct all out-of-pocket medical expenses paid during the tax year on their Oregon tax return.

Qualified medical expenses include co-payments for doctor visits, exams and lab tests, hospitalizations, deductibles, prescription drugs, eye exams, glasses, contact lens, hearing aids and batteries, medical equipment and supplies, dental exams and procedures, dentures, braces, naturopathic, chiropractic and acupuncture treatments, physical and mental health therapy.

Home health care and nursing home care are fully deductible; the medical portion of assisted living qualifies as a medical deduction. You should request a letter from the providing institution.

Medical and dental insurance paid out-of-pocket or by after-tax payroll deduction is deductible as is long-term care insurance. Life insurance is *not* a medical deduction. Mileage to and from medical appointments and other medically-related trips may also be deducted.

Use your appointment calendar, copies of medical bills, checkbook and credit card bills to put together a record of medical expenses paid. Most pharmacies and some medical offices can print a year-end report of services provided and the portion you paid. Count expenses in the year they are actually paid or charged onto a credit card. If you receive a refund in a later year, that will offset your expenses incurred that year.

Health Care Reform Act Provisions

Dependent Coverage

Effective 1 January 2011 health care plans offering dependent coverage must allow parents to continue coverage until the child turns 26 years old. Some plans are allowing uninsured adult children to be covered sooner. Until 2014, there are a couple of exceptions to this new provision. Beginning 1 January 2011, coverage for children under the age of 19 cannot be denied for pre-existing conditions.

Preventive Care and Pre-Existing Conditions

For plan years beginning 1 January 2011, health plans must provide coverage without cost-sharing for certain preventive services such as well-childcare, immunizations, mammograms, pap smears, osteoporosis screening and genetic counseling. This includes Medicare. For plan

years beginning 1 January 2014, health plans may not deny coverage due to pre-existing conditions. Americans who are uninsured due to pre-existing conditions will have access to insurance via a high-risk pool beginning in 2010.

Retirees

Beginning in 2011, changes will begin to be phased in to Medicare Advantage plans that impact payments they receive. Changes will be implemented to begin closing the “doughnut hole” for Medicare Part D, prescription drug coverage. This includes a \$250 rebate payment in 2010 to those covered by Medicare Part D who are in the coverage gap. Early retirees, ages 55-64, will have access to a temporary “re-insurance” program beginning in 2010 until the Health Care Insurance Exchanges are rolled out in 2014.

Flexible Spending Accounts and Health Savings Accounts

Beginning in 2011, FSAs, HSAs and other health reimbursement accounts will only reimburse medications that are prescribed drugs and insulin. Distributions from HSAs that are not used for eligible health care expenses will incur a 20% penalty tax.

Employers and Health Coverage

Employers may be permitted to “grandfather” their existing health plan coverage if it was in existence on 23 March 2010. Small employers (fewer than 25 employees) are eligible for a tax credit on their 2010 returns for providing health insurance. Some restrictions apply. Beginning in 2014, employers not offering health care coverage may face penalties.

Employees

Beginning in 2011, employers will have to report the cost of employer-paid health insurance on the employee’s W-2. The figure will be for information only and will not increase taxable income.

Somewhere Over the Rainbow...

The office will be closed from Monday 5 July to Monday 26 July. Phone messages will be checked and returned as possible. We will be unable to respond to emails, provide letters, tax return copies or other assistance during this time.