

■ WELCOME TO THE FIRM

We are pleased to announce that on January 1, 2013, Mann & Mann CPAs joined with Baylis & Company PA CPAs. All of the Mann & Mann staff will be working at our offices at 53 Lake Morton Drive by February 1, 2013.

Managing Partner Edie Yates said of the change, “This is a great fit for us all. We have known and respected Jack Mann and his staff for years. Their dedication to clients closely mirrors our own and their technical expertise will enhance our ability to provide excellent service. We are confident that this change will be beneficial for clients of both firms.”



We hope you will join with the partners and staff of Baylis & Company and give a warm welcome to the newest members of the Baylis & Company family.

■ SELF-EMPLOYED HEALTH INSURANCE DEDUCTION

Certain sole proprietors, partners, and S corporation shareholders can deduct health insurance premiums on page 1 of their individual tax returns, which means that they can benefit from this deduction even if they don't itemize on Schedule A. We have frequently been asked which health plan premiums qualify for this deduction. The law states that the insurance plan must be “established under the business.” What does this mean specifically?

Sole Proprietors: The policy can be either in the name of the business or in the name of the sole proprietor to be considered “established under the business.”

Partners: The policy can be either in the name of the business or in the name of the partner. If the policy is in the name of the partner and he or she pays the premium, the partnership must reimburse the partner. The partnership must report the amount of the premium on schedule K-1 of Form 1065 as a guaranteed payment for the plan to be considered “established under the business.”

S Corporation Shareholders: *For more than 2% shareholders*, the policy can be either in the name of the S corporation or in the name of the shareholder. The shareholder/employee can either pay the premium or the S corporation can pay it and report the premium on Form W-2 as wages to be included in the individual's gross income. If the policy is in the name of the individual and the premium is paid by the individual, the S corporation **must** reimburse the shareholder/employee and report the premium amounts on Form W-2 as wages. Form W-2 reporting is required in order for the plan to be considered “established under the business.” It should be noted that these premium payments are taxable wages, but they are not subject to FICA or FUTA.

The Healthcare Act and Affordable Care Act are complex. We will continue to highlight areas of the Act which we feel may be of interest to our clients and friends. The details of your particular situation matter. Please consult with your tax advisor for information specific to your situation.

■ FORM W-2 AND FRINGE BENEFITS

The IRS defines a fringe benefit as a form of pay for the performance of services. Common examples of taxable fringe benefits include, but are not limited to, gift cards or cash equivalents, prizes and awards, and personal use of a company car.

Many employers may not realize that the fringe benefits they provide are actually taxable wages. Fringe benefits are taxable unless specifically excluded by law.

If you are an employer, we encourage you to take a moment to review any benefits provided to your employees outside of normal salary and wage payments and be sure that they are included on employee Form W-2's if appropriate.

The IRS has published a rather lengthy guide on just this topic: Publication 15-B (2012), Employer's Tax Guide to Fringe Benefits. Visit <http://www.irs.gov/publications/p15b/ar02.html> to view the publication in its entirety.

We encourage you to speak with your tax advisor about whether or not particular fringe benefits you have provided are in fact taxable income. To learn more about our small business services, please visit <http://www.bayliscpas.com/services/smallbusiness.php>.

■ ORGANIZERS ARE IN THE MAIL

The start of the year signals that tax season has arrived yet again. Our clients should have received tax organizers in the mail earlier this month. Please review and complete your organizer and return it to us at your earliest convenience. Contact us if you have not yet received your organizer.



We welcome the opportunity to provide you with assistance with federal, state and payroll tax matters. To learn more about our tax compliance and planning services, visit <http://www.bayliscpas.com/services/taxfinancial.php>.

■ TAX SEASON START DELAYED

The IRS has pushed back the date that taxpayers can file tax returns (electronically or by paper) to January 30th. This delay was needed to allow the IRS to respond to all of the tax form changes necessitated by the passage of the American Taxpayer Relief Act of 2012.

■ CLOSING THOUGHTS

Motivational thoughts are always good for us as we enter into tax season. This month, we thought we would share a few fun quotes from Walt Disney to start the year off right. Here's a quote that cuts to the heart of the matter:

The way to get started is to quit talking and begin doing.

Let's throw in this one for good measure:

It's kind of fun to do the impossible.
~ Walt Disney

Happy new year from all of us at Baylis & Company PA CPAs. We hope to see you soon!

Please visit our website at www.bayliscpas.com