

HUDSON POPE PLLC

CERTIFIED PUBLIC ACCOUNTANT

310 New Street, New Bern, NC 28560

252-635-1330 Fax: 252-634-2772

Email: pamhudsonpoppe@embarqmail.com

Tax Season 2015

The deadline for individual income tax returns this year is April 15th. We have recently completed corporate returns for the March 15th deadline and continue to process individual returns. We would like to remind those of you who have not yet gathered your 2014 tax information, you may want to consider having us prepare an extension for you which would extend the filing time until October 15th. As long as the tax you owe for the year is paid with the extension, filing for the extension does not have any negative ramifications.

This newsletter will be the last one our clients will receive by mail. We will be posting all future newsletters on our website (hudsonpoppe.com). If you would prefer to have a copy of the newsletter e-mailed to you, please let us know and we will be

REMINDER:

Individual Estimated Income Tax Payments are due by April 15, 2015.

happy to send you a copy via e-mail.

The IRS has announced transition relief for small employers from the excise tax for certain health care payment plans. In this newsletter, we will highlight the provisions of this temporary relief and what it means for small employers.

The state of North Carolina had several changes that went into effect in 2015 that will affect taxpayers and business in our state and we will focus on a few of those changes below.

PENALTY RELIEF FOR SMALL EMPLOYER HEALTH CARE PAYMENT PLANS

The IRS had previously determined (Rev. Rul. 61-146) that, under certain conditions, if an employer reimburses an employee's substantiated premiums for non-employer sponsored hospital and medical insurance, the payments are excluded from the employee's gross income. This exclusion also applied if the employer pays the premiums directly to the insurance company. However in Notice 2013-54, the IRS described these arrangements as employer payment plans, which are considered to be group health plans subject to the PPACA market reforms. Excise taxes would apply for failure to comply with PPACA market reforms. The excise tax reaches \$100 per affected individual per day. However, now the IRS (Notice 2015-17) has reiterated that the arrangement described in the original ruling is an employer payment plan. An arrangement under which an employer provides reimbursements or payments that are dedicated to

providing medical care, such as cash reimbursements for the purchase of an individual market policy, is itself a group health plan. The arrangement is subject to the PPACA market reform provisions, the IRS explained. Limited transition relief from the excise tax is available to employers that are not applicable large employers (ALEs), which generally are employers that employed an average of at least 50 full-time employees, including full-time equivalent employees, on business days during the preceding calendar year. Some small employers, the IRS explained, may need additional time to obtain group health coverage or adopt a suitable alternative. Transition relief is available for 2014 for employers that are not ALEs, and for the period January 1, 2015 to June 30, 2015 for employers that are not ALEs.

Continued on Page 2

Cont'd from Page 1

- **(Comment):** Employers eligible for the transitional relief are not required to file Form 8928 (regarding failures to satisfy requirements for group health plans under chapter 100 of the Code, including the market reforms) solely as a result of having these arrangements for the period for which the employer is eligible for relief. The IRS indicated that additional clarifications on employer payment plans will be provided in the near future.

Medicare/TRICARE The IRS also reviewed the integration of Medicare premium reimbursement arrangements. If an employer reimburses (or pays directly) some or all of Medicare Part B or Part D premiums for employees, this constitutes an employer payment plan, subject to the PPACA market reforms. Additionally, the IRS explained that an HRA may not be integrated with TRICARE to satisfy the market reforms because TRICARE is not a group health plan for integration purposes.

S Corps

Generally, if an S corporation pays for or reimburses premiums for individual health insurance coverage covering a 2-percent shareholder, the payment or reimbursement is included in income but the 2-percent shareholder-employee may deduct the amount of the premiums. Until more guidance is released (and in any event through 2015), the IRS will not impose the excise tax for failure to satisfy the market reforms by a 2-percent shareholder-employee healthcare arrangement.

New North Carolina Laws for 2015

New North Carolina laws for 2015 include lower taxes and fewer breaks.

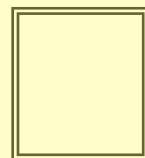
Taxes are dropping for corporations and individuals, though taxi drivers and movie-makers are losing preferential breaks. Here are some of the tax changes now in effect:

- Income taxes paid by individual and corporations fall further this year. The wide-ranging tax overhaul law that last year condensed three tax brackets for individual income into one lower rate of 5.8 percent takes another step, cutting the rate again to 5.75 percent in 2015.
- The corporation income tax dropped from 6.9 percent to 6 percent in 2014 and now falls to 5

percent in 2015. Corporations could see further tax cuts to 4 percent in 2016 and 3 percent in 2017 if the state meets certain revenue targets.

- Republican lawmakers who approved the tax cut also took away breaks to Hollywood and cab drivers. Expiring is a 25 percent tax credit for TV and film productions that in 2013 allowed producers to forego paying \$61 million in state taxes. It's being replaced in 2015 by a grant program for video productions capped at \$10 million.
- Taxi drivers are losing their ability to claim a quarterly refund on the gasoline excise tax for the fuel they bought.

Company Name
Street Address
City, ST ZIP Code



Customer Name
Street Address
City, ST ZIP Code