

1015 Pine St
Boulder, CO 80302
Ph. (303) 443-1804
Fax (720) 489-3772
tom@tomhealycpa.com

Business Advisor

Tax Planning

Tax Preparation

Retirement Planning

Accounting

**Financial
Statements**

**Personal Financial
Planning**

Memberships

American Institute of
Certified Public
Accountants

Colorado Society of
Certified Public
Accountants

Society of Certified
Senior Advisors



Annual Fall Sale

From October 16 through December 15, 2015, my annual fall sale offers a 20% discount on all services except IRS (or other government) audit assistance. So, save on year-end tax planning, getting your computerized accounting up and running before the new year, business consulting, and personal financial planning. Call today to set up your appointment. To take advantage of the discount, you need to pay your invoice within 10 days of billing. (Note: This is *not* the same as the prepayment plan for 2015 tax return preparation, which you will learn about in December.)

Deducting health insurance for S corporation owners

2015 is likely to be the last year that health insurance for S corporation owners can be done the same way as it has for many years: it has been taxable for income tax purposes, but not subject to social security or Medicare taxes. The owners then take a deduction for it on their personal tax returns. Likewise, in the past owners on Medicare have been able to have the corporation reimburse them for the Medicare and supplemental premiums they pay, converting an unusable itemized deduction into deductible self-employed health insurance. And younger owners have been able to get individual health insurance reimbursed (or paid for) by their corporation.

The Affordable Care Act ("ObamaCare") doesn't permit either of these approaches to work for S corporations with two or more employees (whether or not they are owners), and the Department of Labor charges a \$100 per day excise tax per employee if the company health insurance plan does not comply with ACA guidelines. That's \$36,500 per year! That excise tax has actually been on the books since ERISA became law in the 1970s.

So, unless the IRS and the Department of Labor issue new guidance, or Congress changes the law, it's likely the only approach will be to have health insurance paid for or reimbursed by the S corporation treated as fully-taxable compensation, subject to social security and Medicare taxes in addition to income taxes. And the premiums would only be deductible by the S corporation owner as a medical itemized deduction.

Because ERISA doesn't apply to plans involving a one owner-employee, those S corporations may still be able to include insurance they pay for as S Corporation health insurance, but the reimbursement issue still applies.

I'm sure that the tax update classes I'll be taking this fall will provide some additional guidance on this issue.