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CERTIFIED PUBLIC ACCOUNTANTS
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Once again, Congress has passed last minute legislation that will impact 2014 income tax returns. The act retroactively extends for one year approximately 54 expired tax provisions. The act does not extend the provisions into 2015. You can once again expect this action to lead to filing delays during the 2015 tax season.

- **IRS forms have already been drafted and will need to be revised.**
- **Tax preparation software has already been distributed and installed. Software will need to be revised to allow for the new provisions.**
- **IRS processing software will need to be adjusted.**
- **Research providers have already printed reference materials for the 2015 filing season. As such, many publications on taxation will be incomplete.**

These last minute changes will require a tremendous amount of effort and resources to be expended to prepare for the upcoming filing season. With limited exceptions, all of these extenders expire December 31, 2014. Once again, this leaves the nation in flux for 2015 tax planning.

INDIVIDUAL EXTENDERS

- **State and Local Sales Tax Deduction**
  The election to claim state & local sales taxes in lieu of state and local income taxes will remain in effect until December 31, 2014.
- **Higher Education Deduction**
  The higher education deduction allows taxpayers to deduct qualified tuition and fees for post-secondary education as an adjustment to income. The maximum deduction is $4,000 for taxpayers not exceeding income of $65,000 ($130,000 joint), $2,000 for taxpayers not exceeding income of $80,000 ($160,000 joint). No deduction is allowable for taxpayers with income exceeding $80,000 ($160,000 joint). This deduction competes with other credits that may be available for education expenses. This will remain in effect until December 31, 2014.
- **Teachers' Classroom Expenses**
  The teachers' classroom expense deduction allows primary and secondary teachers an above-the-line deduction of $250 for out-of-pocket teaching expenses. This deduction will remain in effect until December 31, 2014.
- **Mortgage Debt Exclusion**
  The act excludes from income cancellation of mortgage debt on a principal residence of up to $2 million ($1 million for married filing separate). Without this extension, unless otherwise excluded, debt that is forgiven in 2014 through foreclosure, short sale or loan modification would be treated as taxable income.

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- **Mortgage Insurance Premiums**
  The act extends the mortgage insurance premium deduction for taxpayers with income below $100,000 ($50,000 married filing separately). The deduction begins to phase out for taxpayers with income above these levels.
- **Charitable Distributions from IRAs**
  Individuals age 70 ½ and older will be allowed to make tax-free distributions from IRAs to charities. When this occurs, the taxpayer can forgo including the distribution in income, and can also forgo taking the itemized deduction. This can be appealing for taxpayers trying to keep their adjusted gross income low to claim medical expenses, etc.
- **Contribution of Real Property for Conservation Purposes**
  A special rule allows contributions of capital gain property for conservation purposes.
- **Non-Business Energy Property Credit**
  This credit is for property improvements such as insulation, energy efficient exterior windows and energy efficient HVAC systems.

BUSINESS EXTENDERS

- **Bonus Depreciation**
  This allows taxpayers to claim 50% bonus depreciation in the first year for qualifying property. Only new property is eligible for bonus depreciation.
- **§179 Expensing**
  This will allow taxpayers to expense $500,000 of equipment with an investment limit of $2 million. Prior to this extender, the limit would have been only $25,000 with an investment limit of $200,000.
- **Qualified Leasehold / Restaurant Improvements and Restaurant Property**
  Qualified leasehold improvements, retail improvements, and qualified restaurant property can be treated as §179 property with reduced dollar limits.
- **Research Tax Credit**
  Business-related research expenses can qualify for either a 20% credit or a 14% alternative simplified credit.
- **Work Opportunity Tax Credit**
  Employers hiring military veterans and other qualified individuals may qualify for the Work Opportunity Tax Credit. The credit is generally 40% of first year wages up to $6,000. The credit can be higher for some veterans.
- **Exclusion for Gain on Qualified Small Business Stock**
  This is a 100% exclusion for gain on the sale of qualified small business stock held for more than five years. This applies to stock acquired before January 1, 2015.
- **Reduced Recognition Period for S-Corp Built-in Gains Tax**
  The act reduces the built-in gains tax recognition period from 10 years to 5 years for C-Corporations converting to S-Corp status.
- **Other Business Extenders**
  - **New Markets Tax Credit**
  - **Employer wage credit for activated military reservists**
  - **Tax incentives for empowerment zones**
  - **Indian employment credit**
  - **Accelerated depreciation for business property on Indian reservations**
  - **Credit for energy efficient Homes**

Many other provisions with narrow applicability were also extended. Please call us if you have questions on any particular item.

PROVISIONS THAT WERE ALLOWED TO EXPIRE

- **Plug in Electric Vehicle Credit**
- **Energy Efficient Appliance Credit**
- **New York Liberty Zone Tax-Exempt Bond Financing**
- **Health Coverage Credit for Displaced Workers**
- **Placed in Service Date for Partial Expensing of Certain Refinery Property**

ACHIEVING A BETTER LIFE EXPERIENCE (ABLE ACT)

- **Savings for Disabled Persons**
  This act creates tax-favored savings accounts for individuals with disabilities for tax years beginning after December 31, 2014. These accounts will be similar to state-created §529 plans. Qualified distributions will include amounts for medical expenses, education, transportation & housing.
- **Penalties**
  The ABLE act indexes for inflation certain civil tax penalties.

REAL ESTATE PROFESSIONALS

Rental income or loss of a real estate professional (REP) will not be passive if the REP materially participated in the rental real estate activity. However, a REP's rental income is included in NII if the income is not derived in the ordinary course of a trade or business. The REP must materially participate in the rental activity, and the rental activity must be an IRC §162 trade or business.

A REP qualifies for one of the two safe harbors if he or she:

1. Participated in each rental real estate activity for more than 500 hours during the year; or
2. Participated in a rental real estate activity for more than 500 hours in any 5 years (whether or not consecutively) during the 10 tax years immediately prior to this tax year.

If the REP elects to treat all rental real estate activities as a single real estate activity, all of the REP's rental real estate activities constitute a single activity for the purposes of applying the 500-hour test.

NET INVESTMENT INCOME TAX (NIIT)

Form 8960 computes this tax for individuals, estates, and trusts. It is a separate tax in addition to all other taxes. You should not assume that other tax terms are used the same for purposes of this tax.

A 3.8% tax applies to the lesser of net investment income or the modified adjusted gross income in excess of the threshold amount. The threshold amounts are $12,150 (adjusted annually) for estates and trusts; $250,000 for joint returns and surviving spouses; $125,000 for married filing separates; and $200,000 any other individual. Modified Adjusted Gross Income (MAGI) is the same as adjusted gross income except for those who claim a foreign income exclusion.

The NIIT applies to citizens or residents of the USA. It does not apply to non-resident alien individuals. A dual resident individual who determines that he or she is a resident of a foreign country for treaty purposes will be treated as a non-resident alien. In the case of a US citizen or resident who is married to a non-resident alien, the spouses will be treated as married filing separate for purposes of this tax; however, they may elect to be treated as making a joint federal income tax return for purposes of the NIIT. An individual who is a bona fide resident of the US is subject to this tax if he or she is required to file an income tax return under IRC §931, 932, 933 or 935. With respect to such an individual, the amount excluded under IRC 931 or 933 is not taken into account for the NIIT.

Planning involves either lowering NII or MAGI. There are two ways to skin this cat. We may want to avoid Kansas tax refunds. Directing a retirement distribution directly to a charity helps lower MAGI.

Trusts not subject to this tax include charitable trusts, qualified retirement plan trusts, charitable remainder trusts, grantor trusts, Alaska native settlement trusts, cemetary trusts, and re-classified trusts such as real estate investment trusts and common trust funds. Electing small business trusts may qualify as an S Corp stockholder. Special rules apply.

For trusts that are subject to this tax, the tax applies at a much lower level of income as compared to an individual. Additional planning may be necessary to avoid this tax for trusts. For "normal" trusts, the tax is on the undistributed income. The uniform division of income rules apply. If the trust document does not require income to be distributed currently, it is a complex trust. Trading of securities or commodities has special rules not discussed herein.

Generally, NII includes the following types of income:

- **Interest**
- **Dividends**
- **Royalties**
- **Rents (see self rental below)**
- **Net Capital Gains attributable to non-trade or business property**

Some common forms of income that are NOT included in NII include the following:

- **Wages**
- **Unemployment**
- **Income from a Non-Passive Business**
- **Social Security Benefits**
- **Alimony**
- **Tax-Exempt Interest**
- **Self-Employment Income**
- **Qualified Retirement Distributions**

SELF RENTAL

Income that would otherwise be passive rental income from a taxpayer's property is re-characterized as non-passive where the taxpayer rents the property for use in a trade or business in which the taxpayer materially participates. Similarly, for income tax purposes, a rental activity that is properly grouped with a trade or business activity in which the taxpayer materially participates is a non-passive activity. For purposes of the NII, the gross rental income in both these situations is treated as though it derived in the ordinary course of a trade or business. Further, upon disposition of the assets associated with the rental activity, any gain or loss is also treated as a gain or loss attributable to the disposition of property utilized in a trade or business.

EXAMPLE 1

Adam and Baker each own 50% of an LLC that rents a building to an operating S Corporation that is also actively owned and operated 50/50

by Adam and Baker. The LLC generates $20,000 of rental income. Under the self-rental rules, the income is characterized as non-passive. As such, under NII rules, the rental income is treated as having been earned in the ordinary course of a trade or business and is excluded from the NII of both Adam and Baker.

Referring to the prior example, Adam and Baker properly elected to group the LLC with their interest in the S Corp. This election would allow the activities to be treated as one trade or business for taxable income purposes. The rental activity has to pass the trade or business test on its own. Adam and Baker can exclude their share of the rental income from NII.

EXAMPLE 2

B is a partner in BRS, which is engaged in an equipment leasing activity. The average period of customer use is seven days or less and therefore meets the exception of Reg. §1.469-1T(e)(3)(ii)(A). B materially participates in the leasing activity. The equipment leasing activity constitutes a trade or business. The trade or business is not a passive activity with respect to B. BRS has a MAGI of $300,000 of which $275,000 is from the equipment rents. The $25,000 of other gross income may be NII if it is attributable to BRS's working capital. Gain or loss from the sale of property held in the equipment leasing activity will not be NII.

Assuming the same facts above, except that B does not materially participate in the business, the activity is a passive activity with respect to B. Now the rents are included in NII. In addition, the $25,000 of gross income is included in NII because it is derived from a trade or business that is not active to the taxpayer. The gain or loss from the sale of property will be NII because the trade or business is a passive activity with respect to B.

EXAMPLE 3

A rents a building to Cessna. A owns no part of Cessna, but A's wife works for Cessna. It seems clear that the self-rental rules would apply, and that the rent would properly be excluded from NII.

CHARITABLE CONTRIBUTIONS

The rules relating to deductions for charitable contributions got a lot stricter a few years ago, and we are now seeing court decisions that are generally siding with the IRS in disallowing deductions for lack of documentation. The reasons for disallowance sometimes seem terribly unfair. The following is intended to summarize the more common rules:

Amounts from $1-$249

- You may be required to prove that the donee is a qualifying charity.
- A bank record or written communication is required for every cash contribution. No more deductions for the Salvation Army kettle or Sunday school for the kids. Each weekly donation to a charity is a separate donation.
- For payroll deductions, you are required to have both pay stubs (or a W-2) showing the deductions and a pledge card or other document showing the name of the donee.
- Each withholding is a separate donation. One pledge (or other document) can cover the whole year.

Amounts from $250-$500

- In addition to the above, you are required to have a separate contemporaneous acknowledgment from the donee organization or a listing that shows each contribution and the date of such. This acknowledgment must say that no goods or services were received as a result of the contribution, or it must provide a good-faith estimate of such value. The acknowledgment must be in your possession when you file your tax return (or when due if you file late).

- For a single payroll deduction of $250 or more, the pledge card or other document must show that the Organization does not provide goods or services in return for any contribution. One document can cover multiple payroll deductions. In addition, you need a document that shows the date of each withholding in excess of $250.

For Non-Cash Contributions

- Similar items must be combined for the purposes of thresholds above $500. A similar item would include furniture, appliances, electronics, and lines would be one category of a similar item called household items. Clothing is included in this category, but food, paintings, antiques, and jewelry are not. Items in the household category must be in good condition or better.
  - **Non-Cash Amounts $1-$249**
    Keep a receipt showing the name of the Organization, the date, location of the Organization, and a reasonably detailed description of the property. If it is impractical to obtain a receipt, document the reason for such. In addition, you are to determine the fair market value of the property at the time of the donation, and how you figured it. The cost basis is required in some circumstances.
  - **Non-Cash Amounts $250-$500**
    In addition to the above, you must obtain an acknowledgment of each contribution and it must state that no goods or services were received as a result of the contribution, or it must provide a good-faith estimate of the value of such goods or services. The acknowledgment must be received before you file your tax return (or due date if you file late). In 2013, the Goodwill receipts met this requirement.
  - **Non-Cash Amounts $501-$5000**
    In addition to the above, your records must show how you acquired the property (purchase, inheritance, etc.), the approximate date of acquisition, and the cost or other basis. Form 8283 is required. A donation of $300 household and $250 jewelry are different categories, and thus, do not rise to the $500 level.
  - **Non-Cash Amounts over $5,000**
    In addition to the above, you generally must attach a copy of a qualified appraisal. The costs of the appraisal are not deductible.

The above does not cover special rules which apply to donations of automobiles, conservation easements, historic district easements, restricted donations, inventory donations, depreciated property donations, taxidermy property, a partial interest in a property, a future interest in a property, a patent or other intellectual property, an unrelated student living with you, foster parents, bargain sales, or gifts of appreciated stocks listed on an exchange.

A donation to a college or university which provides you with a right to buy an athletic ticket is 80% deductible. If it provided you with a ticket, the value of that ticket is a reduction of your contribution amount. The reduction for value received is a general rule relating to contributions. The cost of a raffle ticket is not a charitable contribution. It is a gambling loss deductible to the extent of gambling winnings.

It seems clear from the recent cases that the courts expect taxpayers to take great care in arriving at the fair market values and provide careful document scrutiny and retention. Pictures and lists with fair value estimates should be considered as a part of your documentation.

AFFORDABLE CARE ACT

The Affordable Care Act (ACA) continues to become more engrossed in our daily lives. We continue to get more and more questions about health insurance from both individuals and business struggling to comply with the complexity. In this newsletter, we will touch on various aspects of the ACA that are coming into play. Of course these rules are very complex, so this newsletter is only covering the high points. Additionally, the IRS has recently issued Publication 5187 to provide a summary of the new rules for individuals and families. A copy of the publication can be found at http://www.irs.gov/pub/irs-pdf/p5187.pdf.

INDIVIDUAL HEALTH INSURANCE MANDATE

Effective January 1, 2014, unless an individual is exempt from the individual mandate, the individual must have Minimum Essential Coverage (MEC) for themselves and their dependents. If MEC is not maintained, a penalty may apply. The penalty is assessed on a monthly basis, but an individual is deemed to have MEC for the month if that individual has MEC for at least one day of that month.

Coverage that qualifies as MEC includes the following:

- **Employer-sponsored group plan coverage**
- **Governmental plans for federal or state employees**
- **Grandfathered plans**
- **Medicare**
- **Children's Health Insurance Program (CHIP)**
- **Medicaid (certain limitations apply)**
- **Medical care for the Armed Forces such as TRICARE**
- **Medical coverage for veterans**
- **Peace Corps volunteer health plan**
- **Qualifying Individual Plans (this includes insurance through a state exchange)**

There are a total of nine exemptions from the individual mandate:

- **Affordable coverage is unavailable**
  Must pay more than 8% of household income for insurance. Household income includes the taxpayer's family members who are required to file a federal tax return and for whom the taxpayer properly claims as a dependent.
- **Income is below the filing threshold**
  For most individuals, this is the applicable exemption(s) plus the applicable standard deduction.
- **Indian tribe members**
- **Short coverage gap period**
  (continuous period of less than three months.)
- **Hardship**
  The Marketplace must grant a hardship exemption. Examples include becoming homeless, eviction or foreclosure, utility shutoff notices, domestic violence, death of a close family member, fire, flood, or other disaster, bankruptcy within the last six months, substantial unreimbursed medical expenses within the last 24 months, or unexpected

increases in essential expenses due to caring for an ill, disabled, or aging family member. The exemption also applies to children who are ineligible for Medicaid and CHIP and for whom a party other than the taxpayer is required by court order to provide medical support

- **Religious objection**
- **Health-care-sharing ministry**
- **Non-resident alien**
- **Incarcerated individuals**

Calculation of the Shared Responsibility Payment (Penalty) – The penalty for a taxpayer who does not have MEC is the greater of:

- **The Flat Dollar penalty , or**
- **The Percentage of Income penalty.**

The penalty is capped at the cost of the national average premium for a bronze-level health plan available through the Marketplace for the tax year. The bronze level is the least expensive of the coverage offered by the Marketplace.

- **Step 1**: Flat Dollar Penalty
  The flat dollar penalty is the lesser of:
  - $95 per adult in the household plus $47.50 (50%) per child under age 18 who did not have MEC for the full 12 months, or
  - Three times the applicable dollar amount of $95 ($285)
- **Step 2**: Percentage of Income Penalty
  For 2014, this is 1.0% of the taxpayer's household income in excess of the filing threshold that applies to the taxpayer. To arrive at household income for the year, the Modified Adjusted Gross Income (MAGI) amounts of the household members are totaled. Example – the Smith's have a household income of $60,300. The Smith's filing threshold is $20,300. The excess of $40,000 x 1.0% is $400. Remember, this applies on a month-by-month basis.
- **Step 3**: Choose the greater of step 1 or step 2.

Penalties will continue to rise in the future:

- The Flat Dollar penalty will rise to $325 in 2015 and to $695 in 2016 and thereafter
- The Percentage of Income penalty will rise to 2.0% in 2015 and to 2.5% in 2016 and thereafter.

EMPLOYER HEALTH INSURANCE MANDATE

The Affordable Care Act imposes numerous requirements on applicable large employers (ALEs) for coverage provided to employees. To determine whether an employer is an ALE for the year, the general rule is to take the sum of the employer's full-time employees and the number of full-time equivalents for each month in the preceding calendar year and divide that sum by 12. If the result is 50 or more, the employer is an ALE subject to the employer mandate to provide all full-time employees with MEC that meets the minimum value and affordability requirements. These requirements are effective as of January 1, 2015. Final regulations allow employers with 50 to 99 full-time employees (including full-time equivalents) to be exempt from penalties until January 2016.

Counting Full-Time Employees (FTEs) to determine if an employer is an ALE:

- A full-time employee is an employee who averages at least 30 hours per week in a given month.
- Part-time employees are counted as a fraction of a full-time employee.
  - The total hours worked by all part-time employees in a month must be totaled.
  - Those hours are then divided by 120.

Employer Mandate 1 – Make Coverage Available

If an ALE fails to provide Minimum Essential Coverage (MEC), they can be subject to the **"Sledgehammer Penalty**."

- **Calculation of the Sledgehammer Penalty**
  - The penalty is $2,000 per FTE assessed on a monthly basis.
  - The employer will be liable for the Sledgehammer Penalty if the employer does not offer health coverage or offers coverage to fewer than 95% (70% for 2015 only) of its full-time employees and the dependents of those employees, and at least one of the full-time employees receives a premium tax credit to help pay for coverage in the Marketplace.
  - In calculating the penalty, the first 30 employees are disregared. (80 are disregarded for 2015 only.)
  - **Example**
    An employer has 100 FTEs and fails the employer mandate to make coverage available. The penalty is computed on 70 employees (100FTEs less 30). This results in a total penalty of $140,000 (70 x $2,000).

Employer Mandate 2 – Coverage Must be Affordable and Provide Minimum Value

If an ALE fails to provide affordable coverage that provides minimum value, they can be subject to the **"Tackhammer Penalty**."

- **Calculation of the Tackhammer Penalty**
  - The penalty is $3,000 per year, assessed on a monthly basis.
  - The employer will be liable for the Tackhammer Penalty if the employer doesn't offer health coverage to all or at least 95% of its full-time employees, but at least one full-time employee receives a premium tax credit to help pay for coverage on a Marketplace, which may occur because the employer did not offer coverage to that employee or because the coverage the employer offered that employee was either unaffordable to the employee or did not provide minimum value.
  - Unlike the Sledgehammer Penalty, the Tackhammer Penalty is NOT based on the total number of FTEs.

CREDIT FOR SMALL EMPLOYER HEALTH INSURANCE PREMIUMS

Since 2010, some small employers have been eligible to claim a tax credit for providing health insurance to employees. Beginning in 2014, the credit increased from 35% to 50%. For tax-exempt employers, the maximum credit increased from 25% to 35%. Unlike prior years, to qualify for this credit, the qualified health plan must be offered by the employer through a Small-business Health Options Program (SHOP) exchange. An employer can take this increased credit for two consecutive years beginning with the first year that a SHOP plan is offered. The online SHOP enrollment process was not implemented at the beginning of 2014; therefore, transitional relief is available during 2014 to allow eligible employers to enroll in a SHOP plan during 2014 and still qualify for the credit for the entire 2014 tax year. The employer deduction for the payment of health premiums must be reduced by any tax credit received.

HEALTH INSURANCE PREMIUM ASSISTANCE CREDIT (PAC)

Individuals who purchase coverage through the Marketplace may be entitled to the PAC. The PAC is a refundable sliding-scale credit that is available to taxpayers with household incomes between 100% and 400% of the federal poverty guidelines based on family size. The individual receiving the credit cannot receive coverage through the taxpayer's employer or the spouse's employer. Certain taxpayers below 100% of the poverty level may still qualify.

The silver plan is the second lowest cost plan, and it is referred to as the "benchmark plan." Calculating the PAC begins by comparing household income to a sliding scale from 100% to 400% of the applicable poverty level.

EXAMPLE

Tom is a single taxpayer who earns $30,000 per year. His income is 261% of the $11,490 poverty level for a single household. That puts him 11/50ths of the way between 8.05 and 9.5%. As such, the spread between 8.05 and 9.5% is 1.45%. Tom is 11/50 between the spread, so he

HOUSEHOLD INCOME	LOWER TIER %	UPPER TIER %
100 - 133%	2.00%	2.00%
133 - 150%	3.00%	4.00%
150 - 200%	4.00%	6.30%
200 - 250%	6.30%	8.05%
250 - 300%	8.05%	9.50%
300 - 400%	9.50%	9.50%

is 22.0% through the spread. So, .22 x .0145 = .0032. If we add this to our lower-tier percentage of 8.05%, we get 8.37%.

Calculating the PAC – The taxpayer's PAC is the lesser of –

- **The premiums paid, or**
- **The cost of the applicable benchmark plan available to the taxpayer minus the annual contribution for healthcare. This is expressed by the following formula:**
  - Amount of PAC Available = Cost of applicable benchmark plan available – Annual contribution for healthcare.

EXAMPLE

Heather is single with no dependents. Her MAGI is $28,725. Her applicable poverty level is $11,490. Therefore, her MAGI is 250% of the poverty guideline. Her applicable figure is 8.05%. She purchased insurance from the Marketplace and had a monthly premium of $350 and received a $100 per month advance payment of her PAC (applied against her premium). The silver plan, which is the second lowest cost plan in the Marketplace, was $4,800.

Step 1	Premiums paid ($350x12)				4,200
Step 2	Annual premiums for the benchmark silver plan			4,800	
	MAGI		28,725		
	Applicable %	x	8.05%		
	Annual Contribution Amount			(2,312)	
	Annual Maximun Premium Assistance				2,488
Step 3	Smaller of Step 1 or Step 2				2,488
	Less advance PAC applied against her premium				(1,200)
	PAC to be claimed on tax return				$1,288

If the advance credit payments received exceeds the PAC amount for which the taxpayer actually qualifies, the excess will be recovered in the form of an additional tax on the tax return. However, for taxpayers with household incomes of less than 400% of the applicable poverty level, there is a cap on the amount of additional tax liability that will be imposed.

HOUSEHOLD INCOME % OF POVERTY LEVEL	MAXIMUM ADDITIONAL LIABILITY OF SINGLE TAXPAYERS*	MAXIMUM ADDITIONAL LIABILITY FOR ALL OTHER TAXPAYERS
Less than 200%	$ 300	$ 600
At least 200% but less than 300%	$ 750	$ 1,500
At least 300% but less than 400%	$ 1,250	$ 2,500

* Except surviving spouses and head-of-household filers.
* The above amounts will be adjusted for inflation.

HEALTH INSURANCE INFORMATION REPORTING

The IRS will use various information returns to determine whether ALEs are in compliance with the employer mandate to provide affordable coverage to employees and to determine whether an employee qualifies for a Premium Credit or if they are subject to a shared responsibility payment penalty.

- **Form 1095-A** – will be issued by the Marketplace for Marketplace-issued plans.
- **Form 1095-B** – Health Insurance Providers (Issuers)
  - Reporting is optional for the 2014 tax year
  - Note that Multi-Employer plans will need to begin issuing these forms in 2016 for the 2015 tax year.
- **Form 1095-C** – Employers
  - 0-49 full-time employees - Not applicable
  - 50-99 full-time employees - Must issue for 2016 tax year
  - 100+ full-time employees - Must issue for 2015 tax year

Note that due to the delayed reporting of Forms 1095-B and 1095-C, it will be difficult for both tax preparers and the IRS to effectively implement the penalty on individuals not meeting the individual mandate.

WHO PAYS THE MOST IN INCOME TAXES?

INCOME CATEGORY	ADJ. GROSS INCOME	PERCENT OF ALL INCOME	PERCENT OF TAX PAID
Top 1%	Over $ 434,682	21.9 %	38.1 %
Top 5%	Over $ 175,817	36.8 %	58.9 %
Top 10%	Over $ 125,195	48 %	70.2 %
Top 25%	Over $ 73,354	69.3 %	86.4 %
Bottom 50%	Less $ 36,055	11.1 %	2.8 %