

Some CPAs say clients' tax burden will climb

BY ALLISSA KLINE
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Business owners are likely to shell out more money as part of new provisions set forth in the health-care reform bill.

CPAs say clients worry their tax payments to the federal government will rise due to additional taxes on earned income and investment income. They may also fork over more cash to pay accounting firms for assistance in filing 1099 reports, soon to be required for both services and goods purchased for the business.

Many of the provisions don't take place until 2013, but some CPA firms are already

reaching out to clients in preparation.

"We have heard from a few (clients) that they hope...some of this gets repealed," said CPA Eric Lasch, senior tax manager at Lougen Valenti Bookbinder & Weintraub. "It's obviously costing them money. Many of them are already struggling, so to consider more taxes and more intrusion on their pocketbooks is not pleasing."

Some key changes business owners and their accountants face:

- 1099 forms have historically been issued for services totaling \$600 or more provided



Lasch

to companies during the year. Starting in 2011, they will now be required for purchased goods totaling \$600 or more, meaning companies will have to send 1099s to corporations from which they bought those goods during the year. This will put a "huge administrative burden" on individuals and their CPAs to comply with the regulations, said Richard Wojciechowski, partner at Gaines Kriner Elliott LLP.

- As of 2013, single individuals earning \$200,000 or more, or married couples earning at least \$250,000, face higher taxes on wages. An additional 0.9 percent will be taken from paychecks for Medicare costs



Wojciechowski

and another 3.8 percent could be taken for unearned income such as investments.

"It's going to come out of earners' pockets," said Teresa Majors, partner at Dopkins & Co.

- The next year, individuals will be required to get health insurance. And business owners with 50 or more employees who don't offer policies could face penalties up to \$2,000 per employee.

"That could add up really fast," Majors said. "Now they have to decide: 'Do I start offering insurance and subsidize it ... or do I not offer insurance and pay the penalty?'"

It all leads to more hours for CPAs, much of it involving lots of record-keeping.

"There will definitely be an increase in our workload," Lasch said.

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Small-business hopefuls should learn the new rules

BY DAVID BERTOLA
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Those looking to start a small business with a staff in New York state should plan to educate themselves today and every year moving forward to keep up with the ever-changing rules of health-care reform.

"They will be a significant regulatory burden," said Bob Graboyes, an economist and senior health-care adviser for National Federation of Independent Business, which represents small and independent businesses.

"And educate your staff," he said. "Every year there will be new rules and uncertainty."

Graboyes said there's incredible uncertainty over costs, and new rules seem to be written each day. Among the issues that will be burdensome and need to be managed closely is one regarding 1099 forms.

"You'll need to figure out how to keep it from burying you," he said. Business owners will be asked to manage a flow

of receipts that reflect a small business' expenses from every vendor, restaurant or gas station.

Companies that spend more than \$600 a year at places such as these will be required to get taxpayer ID information from them when filing taxes.

"The tax implications are going to be extremely complex, hard to explain and hard for accountants and tax advisers to keep up," Graboyes said. "We are hoping this will be dropped, but we can't count on that right now."

Graboyes said to expect the cost of health care to be more expensive. This notion was echoed by Margaret Moree, director of federal affairs for The Business Council of New York State Inc.

"The biggest issue businesses will see in New York is that health-care reform did not deliver any form of premium relief," she said.

"If they are offering or considering offering the coverage, they will find it pretty pricey," she said.



Graboyes



Moree

Find expert help with designation change

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For companies looking to change their designations to, for example, an S Corp, C Corp or LLCs, Margaret Moree suggests finding the right expert before making any decisions.

"Part of a whole business plan redesign would need a tax adviser or employee benefits adviser, it could be a lawyer or broker - somebody in the insurance world," said Moree, who is director of federal affairs for The Business Council of New York State Inc.

"For instance, if you were banking, in your business plan, on a small-business tax credit to offset the premiums, you would need to understand that with certain corporate designations, you may not be eligible, and owner's wages may be excluded," she said. "You may not be eligible for premium assistance."

She said health-care reform isn't what's causing companies to consider changing their designations.

"I don't think health-care reform is driving that bottom line," she said. "The reason you would change your designation is tax treatment, but nothing in the reform changed the tax status of health insurance premiums, which are all still pre-tax."

Bob Graboyes is an economist and senior health-care adviser for the National Federation of Independent Business. He also suggests finding experts such as accountants or attorneys to choose the best-company designations, especially in the wake of health care reform. Provisions for it, he said, will be introduced throughout the next decade.

"Seek an expert," he said. "A small-business person is going to, more than ever, establish solid relationships with an accountant or attorney and negotiate around it. The biggest problem is the difference in just knowing the rules."

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