THE CPA TUNEUP®

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Henry & Horne, LLP is one of the leading accounting firms in Arizona with offices in Tempe, Scottsdale and Casa Grande. We combine the knowledge and expertise of a premier consulting firm with the personal attention of a local CPA, meaning unmatched service to you. Our services include: daily, monthly and annual bookkeeping and accounting; audit, review and compilation of company financial statements; audits of 401(k) plans; tax planning and compliance; CPA Tuneup®; cost segregation studies; internal control reviews; estate, trust & gift services; real estate appraisal and consulting; and valuation and litigation support services.

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The Affordable Health Care Act and Your Dealership

By Brian Campbell, CPA

Now that the election is over, it is apparent the Affordable Health Care Act ("AHCA") is here to stay. Perhaps if the election went differently, parts of the AHCA may have been modified or reversed. Since early November, I can assume every single owner, secretary-treasurer, CFO, general manager, controller, office manager, etc. have been asking each other the same question "How are we going to be affected by the AHCA and what are we to do?" A portion of the AHCA is already in effect, but the major changes will occur over the next few years. Below are some of the changes you will see:

Beginning in 2012:

- Companies with more than 250 employees will be required to report the cost of each employee's health care coverage on the employee's W-2. Companies with less than 250 employees will be required to start this reporting in 2013.
- Currently, small businesses that have 25 or fewer employees with an average pay of less than $50,000 and the emloyer pays at least half of the health insurance premiums of these employees, are eligible for a tax credit up to 35% of the premiums paid. In 2014, the tax credit will increase to 50%.

Beginning in 2013:

- Employees will only be able to contribute a maximum of $2,500 into a Health Savings Account.
- Employees filing as a single taxpayer, earning more than $200,000, and employees filing a joint tax return, earning more than $250,000, must have an additional 0.9% of Medicare tax withheld from their payroll checks for amounts exceeding these thresholds.

Beginning in 2014:

- Most individuals will be required to have health insurance or pay a penalty. The penalty will be in the form of a tax on their individual tax filings.
- Employers with more than 50 full-time equivalent employees will be required to provide all employees with health insurance. If the insurance is not provided or the insurance provided is inadequate, a tax equal to $2,000 per employee will be assessed to the employer. The tax will not, however, be assessed on the first 30 employees. Health insurance provided to employees must meet both the affordable and the value requirements of the AHCA. If the requirements are not met and the employee receives a subsidy through a state exchange, then that employer will pay a penalty.
- Individuals who do not have health insurance or who are not offered health insurance from their employer can obtain health insurance by purchasing it through an insurance exchange. Health care exchanges will be state regulated health care plans from which individuals and employers can buy insurance. (Note: Arizona has determined it will not operate a state exchange so the assumption is that Arizona residents may have to purchase from an exchange regulated by the Federal government.)

Beginning in 2018:

- The value of health insurance provided to employees above a certain threshold will result in employers paying a 40% tax on the excess amount of insurance.

These are just a few of the changes we know now, there will be more changes made as the AHCA becomes fully implemented over the next few years. If you have not currently started to plan on how the AHCA affects your business and your employees, then there is no better time than now to start.

If you have any questions Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.


Sunset of the 2001 & 2003 Tax Relief Acts Impact on Dealerships

By Edward Hooper, CPA

By now you have probably heard a lot of talk about what has been termed the fiscal cliff. The fiscal cliff involves a combination of tax increases and spending cuts that begin to take place in 2013 unless our government takes action soon. What you may not realize is that the vast majority of the tax increases are really the expiration of tax cuts that were designed to stimulate the economy. Here are several of those key facts and figures that will have an impact on you and your dealership.

Individual income tax rates - The top individual tax rate for 2012 was 35% and the lowest was 10%. In 2013, the top rate is expected to revert back to 39.6% and the 10% bracket will no longer exist. Although, there is a chance the lower tax brackets will stay in place for those under a certain dollar threshold (currently estimated at $400,000). For anyone making over the "threshold", the top tax bracket only would increase.

Itemized deduction phaseout - In 2012, there was no phaseout for itemized deductions. The phaseout for 2013 is expected to begin for most taxpayers with an adjusted gross income of $177,000.

Employee's FICA tax - For 2012, the employee's portion of the FICA tax was 4.2% on wages up to $110,100. This was known as the payroll tax holiday. That amount is expected to rise to 6.2% on wages up to $113,700. Out of all the tax increases, this is the one that your employees will notice and we recommend informing them before they receive their first payroll check in 2013.

Capital gain rates - The long-term capital gain rate in 2012 for individuals, estates and trusts was 15% (0% if in 10% or 15% tax bracket). That rate is scheduled to go back to 20% (10% if in 10% or 15% tax bracket) in 2013. This may also only affect those making over the "threshold" amount.

Qualified dividend income - The rate for 2012 is the same as the long-term capital gain rates above. However, 2013 rates could go back to ordinary income rates (which could be as high as 39.6%). There is much debate on qualified dividends (whether to keep them the same rates as capital gains) and whether they should only be taxed at a higher rate for those making over the "threshold" amount.

First year bonus depreciation - The immediate deduction for qualifying property that can be written off in the first year was 50% in 2012. Bonus depreciation is set to expire in 2013.

Section 179 expense - The overall expensing limit in 2012 was $139,000 (reduced if acquisitions exceed $560,000). That amount is trimmed significantly to $25,000 (reduced if acquisitions exceed $200,000) for 2013.

Estate, Gift and GST taxes - This may be the single biggest change for high net worth dealers and will have a dramatic effect on succession planning. In 2012, the tax rate was 35% with a lifetime exclusion amount of $5,120,000. That rate is scheduled to increase to 55% with an exclusion of $1,000,000. There was also portability of the unused exclusion of a deceased spouse that is set to expire in 2013.

These are just a few of the major provisions that are set to expire. We hope that Congress and the current administration are able work out their differences and avert the cliff. Please do not hesitate to contact one of our dealership or firm professionals if you have any questions or need assistance.

If you have any questions Edward can be reached at (480) 839-4900 or EdwardH@hhcpa.com.

extra parts

According to the automotive industry research firm R.L. Polk & Co., consumers are holding their cars, on average, for 63.9 months, which is up 4.5 months from the previous year.

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According to Accurate Auto Advice, 2013 will be the year of the Ecoboost motor helping buyers find the balance between the need to conserve and the desire to drive.

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According to Ford Motor Company, consumer trends in 2013 will include the rise of minimalism, a return to actual experiences rather than e-life, and a push for quantifiable happiness.

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