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January/February *2014*

***Legal Same-Sex Marriages***

***Tax Return Filing Update***

On August 29, 2013 the U.S. Department of the Treasury and the Internal Revenue Service (IRS) ruled that same-sex couples, legally married in jurisdictions that recognize their marriages will be treated as married for federal tax purposes. The ruling applies regardless of whether the couple lives in a jurisdiction that recognizes same-sex marriage or a jurisdiction that does not recognize same-sex marriage at the time of filing. Any same-sex marriage legally entered into in one of the 50 states, the District of Columbia, a U.S. territory or a foreign country will be covered by the ruling. However, the ruling does not apply to registered domestic partnerships, civil unions or similar formal relationships recognized under state law.

This new ruling will generally require legally married same-sex couples to file their 2013 federal income tax return using either the married filing jointly or married filing separately filing status. There is also a possibility of amending prior year tax returns to reflect the married filing status. At this time Arizona does not recognize same-sex marriages and a married filing jointly tax return will not be accepted. A new Schedule S will be required with the Arizona joint return to segregate the income for each taxpayer. As this is a new area of tax law please feel free to contact us to discuss your individual situation.

***Tax Season Extended Office Hours***

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***Beginning February 10, 2014***

Monday - Friday 7:30-5:30

Saturday 8:00 - Noon

***Meet the Team***

Tara King-Taylor joined the HBL team in 2002 and specializes in tax issues related to retirement plans, exempt organizations, estates, trusts, and individuals. Tara earned a Master's of Accounting and a Bachelor of Science from the University of Arizona in Public Administration. She also attended the Universidad of Salamanca in Spain and holds a Master's of Arts from Rutgers University. She is a member of the AICPA and ASCPA, and currently serves on the boards for the Planned Giving Roundtable of Southern Arizona and Make Way for Books. Tara enjoys spending her free time with her young son.

***Community Corner***

Tax manager Mike DeVries is on the board for the Rotary Club’s Tucson Classics Car Show. This year’s show featured 425 classic cars along with vendor booths, a DJ and fun activities for all who participated.

The 7th annual show held in October 2013, raised money for Reading Seed Children’s Literacy Program. Since 2004, The Rotary Club of Tucson has donated about one million dollars to the program. Reading Seed Children’s Literacy Program is dedicated to helping children in Pima County learn to read.

In addition to the Reading Seed Children’s Literacy Program, proceeds from the event fund grants of $25,000 each for Youth on Their Own, which helps homeless and abandoned student finish high school, and the neonatal intensive care unit at St. Joseph’s Hospital.

***New Tangible Property & Repair Regulations***

Does an expenditure get capitalized and depreciated over time or does it get expensed immediately? The tax law answer to this question has undergone a major overhaul in the last three years as the IRS has issued proposed, temporary and recently final regulations.

The regulations make an attempt to better align tax law with what court decisions have been saying for decades. Addressed are areas involving assets newly acquired and placed into service, later repairs and maintenance of those assets and materials and supplies you may be purchasing and have on hand. The regulations are broad, lengthy and comprehensive, having potential impact on very large capital-intensive businesses, individual owners of residential rental property and every taxpayer in between.

In general, the new rules are mandatory for the 2014 tax year but, at the taxpayer’s discretion, may have been implemented sooner. Also, unlike most tax laws that have only prospective effect once enacted, these can have far-reaching retroactive impacts.

![C:\Users\ColeenK\AppData\Local\Microsoft\Windows\Temporary Internet Files\Content.IE5\F21EDDCM\MC900078774[1].wmf]()Certain taxpayers with audited financial statements needed written and communicated policies for capitalization in place prior to the beginning of this year. Going forward, taxpayers of all types and sizes will need to make various tax elections involving safe harbor and de minimus rules. Also, the possibility exists that forms will need to be filed with the IRS to make changes to accounting methods previously used. Many of the changes are taxpayer-friendly and could result in lower tax liabilities, but every situation is different.

If you have depreciable assets, we strongly recommended that we discuss the impact of these rules on your specific situation(s). Changes to your chart of accounts or how you record vendor invoices may need to be made.

***ACA Impact on Employee Health Premiums***

***![C:\Users\ColeenK\AppData\Local\Microsoft\Windows\Temporary Internet Files\Content.IE5\0PATLX7B\MC900056876[1].wmf]()***Since 1961, employers have been allowed to pay for or reimburse premiums for employees’ health insurance policies on a pre-tax basis.

Effective for 2014, however, both IRS and Department of Labor have issued information making it clear that such premium subsidies will not comply with the Affordable Care Act (commonly known as Obamacare).

Employers may continue to pay for premiums, either by grossing up the employees’ wages or on an after-tax basis. These methods allow the individuals to obtain coverage through the much talked about state exchanges.

Alternatively, smaller employers (less than 50 full-time equivalent employees) may subsidize health plan coverages found through SHOP (Small Business Health Option Program).

The excise tax penalty can be onerous - $100 per employee PER DAY for the period of non-compliance. The penalty could also be extended to covered spouses and dependents of the employee.

***2014 Arizona Minimum Wage***

Effective January 1, 2014 Arizona’s minimum wage increased from $7.80 per hour to $7.90 per hour. The wage for workers who receive tips increased from $4.80 per hour to $4.90 per hour. The Industrial Commission of Arizona (ICA) is responsible for establishing the minimum wage annually. The ICA determines the amount by using the Consumer Price Index published by the U.S. Department of Labor to compare the cost of living increase for the same month over a two-year period.