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How's your health? Are you eating sensibly? Getting to the gym or riding your bike three times a week? When you do get sick, or injured, how do you feel about the health care you receive? Why do I ask? Because there's a much needed discussion taking place in our country right now that could dramatically change our health care system. So let's look at some of the issues, including those that relate to taxes.

THE NEWS IN BRIEF

◆ **The Obama Health Care Concept:** According to barackobama.com, Obama wants to expand coverage, improve quality and lower costs. . .expanded coverage means extending access to health care to every American. . .Obama asserts that 45 million Americans (including eight million children) lack health insurance. . .cost savings will be realized, he insist, by converting medical records to electronic format, investing in prevention and increasing competition among care providers. . .the tool for achieving much of these savings: a National Health Insurance Exchange to help uninsured Americans, and others unhappy with their current options, to purchase health insurance. . .Obama promises the Exchange package will feature comprehensive benefits, affordable premiums, simplified paperwork and easy enrollment.

◆ **So What's Wrong With That?** Forgive my skepticism but it sure sounds like our government is giving away a lot of free stuff lately. . .extending health care to almost 50 million people can't be cheap. . .I also have a tough time believing that the enormous costs can be offset by new efficiencies. . .and if enough savings can't be found to fund, that likely means more taxes, probably directed at "wealthy" Americans. . .the current House bill helps finance its version of health care reform with an escalating surtax that starts in 2011 at 1% on income above \$350,000 and more than 5% on income over \$1 million.

◆ **The Fundamental Questions:** Does our country owe free health care to every one of its citizens? Should every citizen receive the same quality of care? Can a country with a national debt in excess of \$10 trillion (whatever that looks like?!) afford this? Should access to our health care system be linked largely to employment, as is currently the case?

Obama desperately wanted Congress to enact legislation before the August recess. Whether consideration for a momentous change to our health care system has stalled or is proceeding deliberately toward ultimate fruition remains to be seen.

Closer to home, the Register Guard recently reported that as of July 1 Oregon health insurance companies are required to give members estimates in advance of how much they will pay for most common medical procedures. About time.

TAX HIKES HIT HOME FOR OREGONIANS

Gov. Ted Kulongoski recently signed two pieces of legislation designed to raise some \$733 million in income tax revenue. Opposition forces are mounting a campaign to send the

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measure to voters early next year in hopes of overturning. Meanwhile, the state is extending an olive branch to delinquent taxpayers.

◆ **House Bill 2649.** Two new individual income tax brackets were created, retroactive to January 1, 2009. . .taxable income over \$125,000 will be taxed at 10.8%. . .taxable income over \$250,000 will be taxed at 11%. . .prior highest individual tax rate was 9%. . .Kulongoski and supporters want to raise funds for schools and a reserve. . .detractors cry the state is piling on by adding new taxes to an already excessive state tax burden. . .the bill also reduces the deduction for federal taxes.

◆ **House Bill 3405.** The new law increases the business minimum income tax to \$150 (Ouch! We used to pay just \$10). . .C corporations may face significantly higher minimum tax, depending on sales levels. . .the 6.6% Oregon corporate tax has been supplemented with a new rate of 7.9% for corporate taxable income above \$250,000. . .the rate hike is effective immediately; it drops to 7.6% on January 1, 2011.

◆ **Senate Bill 880.** Eligible taxpayers will pay zero penalties and just one-half of any interest if they file tax due delinquent returns. . .the provision applies to original or amended returns for tax years prior to 2007. . .corporate as well as individual returns may qualify. . .applications must be submitted by October 1; returns must be filed by January 19, 2010.

IRS AUDIT ISSUES

We recently represented an individual tax client before the IRS with regard to an examination of his 2006 federal tax return. Ultimately, the IRS accepted the return as filed and made no changes, but looked closely at three areas:

◆ **Cell Phones.** The auditor questioned a claim that 100% of cell phone use was business. . .a reasonable allocation between business use (deductible) and personal (not) usually is accepted without question.

◆ **Business Gifts.** Gifts made in the course of business are deductible. . .however, the deduction is limited to \$25 per recipient per year.

◆ **Vehicle Expenses.** This is always an area of interest during audit. . .taxpayers must be prepared to substantiate total miles and business miles. . .using the mileage method obviates the burden of keeping receipts to support actual expenses.

Congratulations to Dawn Bryson in our office, who was recently anointed a certified bookkeeper by the American Institute of Professional Bookkeepers.

Enjoy the last few weeks of summer! School and football are just around the corner.