On July 2, 2013, the Obama administration announced that implementation of the employer shared responsibility payment (popularly-named the “employer mandate” portion of the Patient Protection and Affordable Care Act, or PPACA) would be delayed until January 1, 2015. The IRS has coined the postponement as “transition relief,” stating that it will provide the IRS with additional time to gather data and perform the necessary calculations to determine what qualified employers’ potential shared responsibility payments will be. This transition relief also provides employers with additional time to investigate their options with regard to offering health care coverage to their employees -- or not -- and the payments/penalties/savings that may result from choosing any of those options.

While the exact rules for employers to report relevant employee and health care plan information have not been finalized by the IRS yet, the IRS is encouraging employers to voluntarily comply with the information reporting provisions in 2014 and to maintain or even expand health coverage for employees in 2014, believing it will contribute to a smoother transition to full implementation in 2015.

Tronconi Segarra & Associates has been helping clients prepare for this eventuality by performing “pay or play” analyses and identifying various options that may be available to employers under the PPACA. If you are interested in learning more about this service, please contact your Tronconi Segarra advisor.

Regardless of the employer mandate transition relief, employers should be aware that all of the other provisions of the PPACA remain in effect, including, but not limited to:

- Distribution of health plan benefits and coverage summaries.
- Distribution of PPACA exchange notices.
- Completion of the “Application for Health Coverage and Help Paying Costs” form.
- Payment of PCORI fees, if applicable.
- W-2 reporting.
- Record 2014 employee hours.


Inaugural issue of our Firm-wide newsletter!
After 40 Years, New York Passes Sweeping Nonprofit Legislation

Legislation was recently passed by both the New York State Senate and Assembly which represents the first major overhaul of New York’s nonprofit laws in over 40 years. The Nonprofit Revitalization Act of 2013 (the “Act”), which is still subject to being signed into law by the Governor, would be effective July 1, 2014.

The Act’s provisions apply to all nonprofits that are incorporated in New York, with certain sections applying to all nonprofits registered in New York for charitable purposes. The Act aims to:

- Enhance nonprofit governance and oversight to prevent fraud and maintain the public’s trust; and,
- Reduce burdens on nonprofits.

Highlights of the key provisions of the Act include:

- The Act requires all nonprofits to adopt a conflict of interest policy covering directors, officers, and key employees.
- Nonprofits with 20 or more employees and annual revenue in the prior fiscal year in excess of $1 million must adopt a whistleblower policy.
- Increases the gross revenue threshold for required filing of audited financial statements from $250,000 to $500,000, with subsequent increases in the threshold in 2017 and 2021 up to $1 million.
- All organizations registered to conduct charitable solicitation activities in New York must have a designated audit committee of the Board of Directors (“Board”), or independent directors on the board, charged with retaining an independent auditor and reviewing the results of the audit. Additional duties would be required of such organizations with annual revenue exceeding $1 million.
- Modernizing Board procedures, including the use of e-mail or fax for meeting notices and participation in Board or committee meetings through video conferencing.
- Elimination of classification as Type A, Type B, Type C, or Type D. Nonprofits will instead now be classified as either “charitable” or “non-charitable.” Existing organizations do not have to amend their governing documents in this regard.

The full text of this bill can be viewed at http://bit.ly/1964Sqt.

Nonprofits may need to amend their governance documents, policies, and procedures and, in some cases, significantly overhaul their governance structure, to comply with some of the detailed requirements of the Act.

The legislation comes at a time when many nonprofit organizations continue to struggle amid the fallout of the 2008-2009 economic recession. Earlier this year, U.S. Senate democrats proposed legislation to cap charitable donations in order to limit allowable tax deductions.

Contact Tronconi Segarra & Associates’ Not-for-Profit Practice Group principal, Rick Wiktorowski, CPA, to review how the Act may affect your organization.
Important Tax Updates to Consider for Year-End Planning

In addition to the IRS transition relief regarding the PPACA employer mandate (as discussed in the front page article of this newsletter), additional changes regarding federal and state income taxes have been occurring this year. Following is a brief recap of key changes. However, please contact your Tronconi Segarra & Associates tax advisor well in advance of Dec 31/13 to discuss all of the tax laws and changes that have occurred this year that may impact your specific situation.

- After the U.S. Supreme Court issued its decision in *Edith Windsor* [111 AFTR 2d 2013-2385 (2013)] striking down Section 3 of the Defense of Marriage Act as unconstitutional, the New York State Department of Taxation and Finance issued a memorandum explaining the effect of the *Windsor* decision, offering equal treatment to estates of same-sex spouses for estates of individuals dying on or after 7/24/2011 (legalization date of same-sex marriages in New York State). People affected by the *Windsor* decision can amend a previously filed estate tax return if the statute of limitations for claiming a refund is still open (usually three years from the date the original return was filed, or two years since the tax was paid). Please contact your Tronconi Segarra & Associates tax advisor for additional information.

- Teach your children the value of saving money at an early age. If your child has earned income this year from a full or part-time job, he or she may be eligible to make a contribution to a traditional or Roth IRA (assuming income limits are not an issue). Further, since there is no requirement on the source of the funds used to make the contribution, parents or grandparents can make the contribution for a child or grandchild. The amount of the IRA contribution is limited to the child’s total earnings, up to a maximum of $5,500 for 2013.

- For employers to qualify for the Work Opportunity Tax Credit (WOTC) under current law, qualifying hires must begin work for the employer before January 1, 2014. While Congress may extend the WOTC, employers should act before year end if they want to lock-in these valuable credits.

- The deduction for state & local sales taxes.
- Above-the-line deduction for teacher expenses.
- Deduction for mortgage insurance premiums deductible as qualified interest.
- Exclusion of discharge of principal residence indebtedness from gross income.
- Credit for health insurance costs.
- Allowance of tax-free distributions from IRAs for charitable purposes.
- Special rules for contributions of capital gain real property for conservation purposes.
- Credit for nonbusiness energy property.
Filing Fraudulent Tax Returns the Latest Twist in Identity Theft

A report from the U.S. Treasury Inspector General for Tax Administration (TIGTA) states that during the 2011 filing season, 1.5 million fraudulent tax returns were processed, and refunds totaling $5.2 billion were issued to the wrong people. In calendar year 2012, the IRS identified almost 1.8 million incidents of tax-related identity theft. This figure includes approximately 280,000 incidents in which taxpayers contacted the IRS alleging that they were victims of identity theft. Seniors are among the most frequent targets for identity thieves.

Compared to the volume of returns and refunds issued by the IRS each year (approximately 147 million individual tax returns and $333 billion in tax refunds according to the latest reports), the numbers of fraudulent tax returns and refunds might not cause concern. However, the IRS reports that there has been an explosive rise in the rate of tax-related identity theft during the past 10 years. Identity theft in general is reported to be the fastest growing crime in the world. Victims know first-hand how their finances have been depleted, their credit scores have been ruined, and their employment opportunities have been compromised (as many employers now perform credit checks on prospective employees).

The IRS has described identity theft as the number one tax scam for 2013. To help combat this insidious crime, the IRS has stepped up its fraud detection efforts. Over 3,000 IRS employees are now working on identity theft, more than double the number dedicated to the problem last year. Further, the IRS has trained 35,000 of its employees who work with taxpayers to recognize identity theft and help victims. The IRS reported that more than 4.6 million suspicious returns have been suspended or rejected so far in 2013. Over 1,100 investigations have been opened to date this year, and the agency has worked with ID theft victims to resolve more than 565,000 cases, more than three times the number of identity theft victim cases the IRS had resolved at this time last year.

Visit our web site (click here) to read more about this issue and the steps you can take to help prevent becoming a victim of identity theft.