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We provide a prompt, professional, personal one-on-one tax preparation service from the comfort of your home or office. We are competitively priced; in addition we offer a number of additional services as well as comprehensive information from our web site – <http://www.taxlogic.com>.

The number one concern of all tax professionals is mastering the preparation and understanding of the federal 1040 return. Naturally this makes sense because most of our clients file this return each year. It takes hard work and study each year for us to keep abreast of changes and rules and regulations. By us conveying these significant changes to you, it may stimulate you to search out even more details, which will only benefit our own professionalism and reinforce the confidence you place in us.

Self-Employed Health Insurance Deduction

Although this does not apply to all of you, many of our clients our sole proprietors, are shareholders of a subchapter S corporation, or a partner in a partnership arrangement, which this provision will benefit.

You may be able to deduct part of the amount paid for health insurance for yourself, your spouse, and dependents if either of the following applies:

- . You were self-employed and had a net profit for the year.
- . You received wages in 2001 from an S corporation in which you were a more than-2% shareholder.

The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by you or your spouse's employer for any month or part of a month in 2001, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example if you were eligible to participate in a subsidized health plan maintained by your spouse's employer for September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction.

Self-employed persons can deduct from gross income 60% of amounts paid for health insurance coverage in 2001, 70% in 2002 and 100% in 2003.

The premiums for long-term care insurance contracts were added to the definition of "medical care" for tax years beginning after December 31, 1996. The amount of the premium that is deductible is limited by the age of the individual at the close of the tax year. The inflation-adjusted maximum deductible amount for 2001 is: age 40 or less, \$230; age 40 through 49, \$430; age 50 through 59, \$860; age 60 through 69, \$2,290; and age 70 or older, \$2,860.

The value of fringe benefits provided to a partner for services rendered in the capacity as a partner is generally treated as a guaranteed payment. Thus, a payment of premiums by a partnership for a partner's health or accident insurance is generally deductible by the partnership and included in the partner's gross income. As an alternative, a partnership may choose to account for premiums paid for a partner's insurance by reducing that partner's distributions, in distributive shares are unaffected by payment of the premiums. For tax year 2001, a partner is permitted to deduct 60 percent of the cost of the health insurance premiums paid on his behalf.

In applying the Code's fringe benefit provisions, an S corporation is treated as a partnership, and a shareholder-employee who owns more than 2 percent of its stock is treated as a partner. Thus, the value of benefits provided to a more-than-2-percent shareholder-employee must be included in that shareholder's gross income unless the Code specifically allows exclusion of the benefit by a partner. Accident and health insurance premiums paid by an S corporation for a more-than-two-percent shareholder-employee are deductible by the corporation and are included in the shareholder's gross income under the above rule. For 2001, 60 percent of the amount included income, generally may be deducted by the shareholder-employee.

To get more details about the self-employed health insurance deduction, please visit our site at www.taxlogic.com.