

**"Men acquire a particular quality by constantly acting a particular way. You become just by performing just actions, temperate by performing temperate actions, brave by performing brave actions."**

*-- Aristotle, Philosopher*

Tax Tip – February 22, 2017

Medical Expenses

In general, medical expenses exceeding 10%-of-AGI are deductible. The threshold drops to 7.5%-of-AGI for those age 65 or older. If your filing status is MFJ and one of the filers is age 65 or older, you can use the 7.5% threshold in 2016.

Health Insurance

Individuals must have minimum essential health insurance for themselves and their dependents or risk paying a penalty. Qualifying coverage can be provided through employers, private health plans, or the Health Insurance Marketplace (aka Marketplace or Exchange). Federal coverage such as Medicare or Medicaid also qualifies. There are exceptions to paying the penalty under certain circumstances. A refundable tax credit (based on a sliding scale) to help cover the premiums for insurance purchased through the Marketplace may be available contingent upon one’s household income and the number of people in the household. Healthcare.gov has detailed information regarding the requirements, exceptions, and penalties.

Flexible Spending Accounts (FSAs)

Many employers offer medical FSAs for expenses not covered by insurance. FSAs let employees pay some health-care expenses with pre-tax compensation dollars. Contributions to medical FSAs are capped at $2,550 per year per participant. (Dependent Care FSAs contributions are limited to $5,000 per family.)

Health Reimbursement Arrangements (HRAs)

If your employer offers HRAs, you can withdraw funds tax-free to pay medical expenses (only) for yourself, your spouse and dependents. If a beneficiary other than an employee’s spouse or dependent receives an HRA’s funds after an employee’s death, all reimbursements under the plan become taxable.

Health Savings Accounts (HSAs)

HSAs help workers, their spouses, and dependents who have high-deductible health plans (HDHP). Neither contributions nor withdrawals used to pay medical costs are taxed. If you set up an HSA by December 1, you can put in the maximum contribution for the whole year. HSA balances can be carried over from year to year.

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|   HDHP Min. Max. Out- 2016 Contribution Limits\* Deduct. Of-Pocket  |
| Self-Only Coverage $3,350Family Coverage $6,750\*Age 55 and older add’l $1,000 | $1,300$2,600 |  $6,550 $13,100 |

If you have any questions regarding this information, please feel free to contact our office.

P.S. Please forward this to your friends or colleagues that you'd like to introduce our firm to. Or send us their email address and we'll ask for their permission to forward with your compliments.

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