



THE ANSWER[®]

From Taylor CPA & Associates, PC



Medicare Surtax

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Some individuals may have noticed a Medicare surtax when filing their 2013 tax return. The same surtax will be seen again when filing 2014 tax returns as well. Not only does this additional tax affect income tax returns, it has an effect on payroll as well. Employees with wages exceeding \$200,000 (or \$125,000 for those married filing separate, see chart below) will notice a higher than normal amount of Medicare taxes being deducted from their pay. This additional tax is known as the Medicare Surcharge tax. The surcharge tax will tax any income over the specified threshold at a rate of 0.9%. An individual's filing status directly influences the threshold amount of income that will be subject to the Medicare surcharge tax. Tips and railroad retirement are not exempt from the surcharge. Even wages not paid in cash, such as fringe benefits, are subject to the surcharge tax.

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“Unlike typical Medicare tax, there is no employer portion to be paid on the surcharge. The liability falls strictly onto the individual.”

- Reginald Robinson , Accountant

An individual may be liable for this surtax even if it is not taken out of the payroll by the employer. This is because wages from all income sources cumulatively must be taken into account. Here is an example using the information on the chart below. If an individual who is single makes \$175,000 with one employer and \$35,000 with another employer, the combined wage base is \$210,000. In this scenario, neither employer would have had reason to withhold the additional amount of tax. However, the individual will be responsible for paying the extra tax on \$10,000 of income when their tax return is filed. This amount will be reported on Form 8959.

Unlike typical Medicare tax, there is no employer portion to be paid on the surcharge. The liability falls strictly onto the individual.

Medicare Surtax Thresholds Chart

| Filing Status | Threshold Amount |
|--|------------------|
| Married filing jointly | \$250,000 |
| Married filing separately | \$125,000 |
| Single | \$200,000 |
| Head of household (with qualifying person) | \$200,000 |
| Qualifying widow(er) | \$200,000 |

Reginald Robinson
Accountant

Monthly Reminder

This is a reminder to send us your monthly accounting information for the month of **JULY** so that we may generate financials. Your accounting Information needed includes:

- Bank Statements
- Cash Receipts
- Cancelled Checks (if available)
- Credit Card Statements
- Month end sales and inventory
- A/R Reports
- Loan Statements (if Available)
- Payroll Reports (if there is an outside payroll service)
- New assets purchased
- New Loans
- Interest, Payment Amount, Number of Periods
- The actual closing paperwork

If we have online access to this information or if you have sent us your documents already, please disregard this reminder.

Reminder

Clients, please initiate efforts to pay your estimated tax payments to prevent having a large tax balance at the end of the year. Estimates are a part of your tax planning puzzle. If you take out a piece of the puzzle, the overall picture is never complete. Help us, as we assist you to complete your puzzle. Please contact us with any questions, comments, or concerns.

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Special Points of Interest

- ★ Thank you for the referrals! Your support is truly appreciated.
- ★ Best wishes to all of our clients with a birthday or anniversary in August!
- ★ We welcome Devon Schreiber to our Taylor CPA & Associates, PC Team!
- ★ Please send us an e-mail if any information has changed this past year such as telephone numbers, e-mail, address, number of dependents, and purchases made.

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