

Taxes and health care reform will have a pocketbook impact

By Greg Davis
Editor

FARMINGTON - Tax Resolutions Specialist Inc. CEO Ken Allen and his wife Monica appeared before the Farmington Rotary Club to discuss implications of state and federal laws on the pocketbooks of individuals and small businesses.

Allen operates an office at 454 Fairbanks Road in Farmington and recently changed his last name from Pangelinan to honor the memory of his wife's grandfather, Earl Allen of Strong, he said. "It started out as a joke when Monica and I got engaged. We joked about her having to learn how to spell and write my name and how our kids will have to do it and along with those jokes came the notion of changing our name to a shorter name. That joke slowly turned into a possibility, then later into reality (going through the legal change in Probate Court) as our reasons for doing so became more and more of a positive thing," he explains on his web site.

Allen noted he does tax

bring the decision to a public vote.

LD 1495 as it is today changes Maine's four income tax rates to one flat 6.5 percent rate for persons earning under \$200,000, and compensating for revenue losses by expanding Maine's sales tax base to include such things as labor costs for a slew of services such as automotive repairs, increased food and lodging taxes, etc.

At the federal level, Allen said, "If you feel a little overwhelmed about filing your taxes you are not alone. The IRS commissioner himself said it is so complicated he can't even file his own taxes. Some 64 percent of Americans hire a professional to complete this complicated paperwork, when the original intent was for it to be easy for an individual to do so."

The only lawmaker in Congress who files his own taxes is Senator Mike Enzi of Wyoming, and he's a CPA," Allen said.

Allen noted the IRS began with President Lincoln, who formed the collection and enforcement agency to raise

funding for the Civil War.

"Today, with the new health care reform legislation, he pointed out, whenever a new benefit is established, "we have to pay for it."

The IRS is to administer and enforce the collection of new taxes associated with reform and has requested 17,000 new employees and an additional \$10 billion budget to do so.

Among reform package requirements is mandatory insurance provided by 2014, with employers not providing health plans by that time liable for fines of \$2,000 per employee.

The cost to employers will be significant. Boeing estimates a 20-cent per share impact, Allen noted, and some small businesses will not be able to stay in business.

The Medicare tax will go up for persons earning more than \$200,000, while individual long term (1040) health deductions will increase from the present 7.5 percent to a 10 percent credit, if they qualify. The really strong, comprehensive health plans provided to executives, etc. - known as 'Cadillac Plans' - will be taxed at a 40 percent rate.

Among the changes buried within the 2,700 page reform bill is a tax on indoor tanning services, estimated to bring in \$2.7 billion in tax revenues in 10 years, but also projected to cost 9,000 tanning industry jobs.

"Any time there is a benefit, we have to pay for it," Allen reiterated. Currently, the "top five" taxed nations are Denmark, Sweden, Belgium, France and Norway, and the U.S. is 25th on the overall list, Allen said. The health reform changes will push Norway out of the top five and we will be number four, he said. The U.S. citizen now faces an average total tax burden of 28 percent, whereas the top five range from a 43-48 percent tax burden.

One piece of good tax news is that for sole proprietorship business owned by married couples, they can deduct 100 percent of the health premiums and medical costs, which saves these businesses thousands of dollars.

For state and federal tax changes for the 2009 filing year, education credits can be claimed up to \$4,000, dependent on income. The cost of any

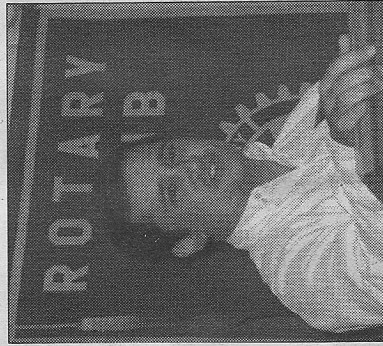
professional tax preparation services are deductible, and individuals qualify for a \$400 "Making Work Pay" credit.

"The IRS now sends out 8 billion pages of paper yearly, which end to end would circle the globe 28 times," Allen said. "This represents 300,000 trees cut to send out the paper, and it costs more for compliance than it takes to produce every car in America."

Careful tax return preparation is important, to take advantage of qualified deductions and credits, he said. In response to a question, he said he feels a fairer tax system would involve a consumption tax, "which could solve a lot of our economic woes and bring back some (offshore) corporations." But he doesn't see that happening any time soon because of the loss of control it would represent.

"The Congress can't control U.S. spending and implement capital gains tax increases to fund wars."

Allen feels some Maine automotive repair businesses will be forced out of business if taxed on labor, if LD 1495 stands. They only must tax parts now.



Greg Davis/Franklin Journal
KEN ALLEN... Discusses state and federal tax implications for this filing season and some expected impacts of the recently passed health care reform legislation.

preparation, but most of his specialized services involve mediation, with 95 percent of that based outside Maine through internet legal referrals, etc. He has been in business for 10 years.

Allen said Maine tax law changes with impacts to residents include LD 1495, signed into law by Governor Baldacci on June 12, 2009, but subject to a possible recall this June through a people's veto that is a result of a successful petition to