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LEGISLATIVE UPDATE

Eye on Washington



IRS RELEASES 2013 VERSION OF PUBLICATIONS 502 and 503

Publication 502, Medical and Dental Expenses (Including the Health Coverage Tax Credit)

The Internal Revenue Service (IRS) has released the latest version of Publication 502 that describes which medical expenses are deductible by taxpayers on their 2013 federal income tax returns. This publication provides guidance on what qualifies as a medical expense under Code § 213(d), and thus helps identify the expenses that may be reimbursed or paid by health flexible spending accounts (FSAs), health savings accounts (HSAs), or health reimbursement accounts (HRAs), or are covered on a tax-favored basis under other group health plans (e.g., an employer-sponsored medical plan).

In addition, Publication 502 explains the itemized deduction for medical and dental expenses that taxpayers claim on Schedule A (Form 1040) and discusses which expenses, and whose expenses, taxpayers can and cannot include in figuring the deduction. It also explains how to treat reimbursements, how to figure and report the deduction on your tax return, and what to do if taxpayers sell medical property or receive damages for a personal injury.

What's New?

Medical and dental expenses. Beginning January 1, 2013, you can deduct only the part of your medical and dental expenses that exceed 10% of your adjusted gross income (AGI) (7.5% if either you or your spouse was born before January 2, 1949).

Standard mileage rate. The standard mileage rate, allowed for auto operating expenses when you use a car for medical reasons, is 24 cents per mile.

Federal tax benefits for same-sex married couples. For federal tax purposes, individuals of the same sex are considered married if they were lawfully married in a state (or foreign country) whose laws authorize the marriage of two individuals of the same sex, even if the state (or foreign country) in which they now live does not recognize same-sex marriage. For more information, see Publication 501, Exemptions, Standard Deduction, and Filing Information. Click on link provided below.

<http://www.irs.gov/pub/irs-prior/p501--2013.pdf>

For a copy of Publication 502, please click on the link provided below:

<http://www.irs.gov/pub/irs-prior/p502--2013.pdf>



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Publication 503, Child and Dependent Care Expenses

Publication 503, which describes the tests a taxpayer must meet in order to claim the credit for child and dependent care expenses and explains how to figure and claim the credit, has now been released by the IRS for use in preparing 2013 federal income tax returns. The 2013 version of Publication 503 has been revised to provide additional clarification on the deemed income rules that apply when a spouse is a student or incapable of self-care, and to note that child-support payments are not considered to be for care.

Reminders:

Taxpayer identification number needed for each qualifying person. You must include on line 2 of Form 2441, Child and Dependent Care

Expenses, the name and taxpayer identification number (generally the social security number) of each qualifying person.

You may have to pay employment taxes. If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer who has to pay employment taxes. Usually, you are not a household employer if the person who cares for your dependent or spouse does so at his or her home or place of business.

For a copy of Publication 503, please click on the link provided below:

<http://www.irs.gov/pub/irs-prior/p503--2013.pdf>

ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP *Eye on Washington* Web page located at www.adp.com/regulatorynews.

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