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Presented by Roberson & Company

The RoCo Times

Special Dates of Interest

- June 15—Second quarter 2006 individual estimated tax is due.
- June 15—Due date for calendar-year corporations to pay second installment of 2006 estimated tax.
- July 4—Independence Day
- July 17—Deadline for filing extended 2005 calendar-year partnership returns.

INSIDE THIS ISSUE:

Every intersection in the road of life is an opportunity to make a decision.

Duke Ellington
(1899-1974)

Health Savings Accounts

A Health Savings Account (HSA) is an account that you can put money into to save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment. HSAs were signed into law by President Bush on December 8, 2003.

Who Can Have an HSA

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified "high deductible health plan" (HDHP).
- Have no other first-dollar medical coverage (other types of insurance like disability, dental care, vision care or long term care insurance are permitted).
- Are not enrolled in Medicare.
- Cannot be claimed as a dependent on someone else's tax return.

Contributions to your HSA can be made by you, your employer, or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your **federal** income tax return. HSAs are not currently deductible on your California Tax Return.

HSA contributions must stop once you are enrolled in Medicare. However, you can keep the money in your account and use it to pay for medical expenses tax-free.

High Deductible Health Plans (HDHPs)

You must have coverage under an HSA-qualified "high deductible health plan" (HDHP) to open and contribute to an HSA. Generally, this is health insurance that does not cover first dollar medical expenses. Federal law requires that the health insurance deductible be at least:

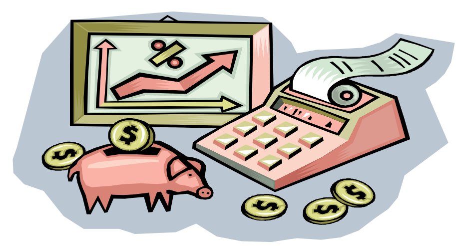
$1,050* - Self-only coverage

$2,100* - Family coverage

In addition, annual out-of-pocket expenses under the plan (including deductible, co-pays and co-insurance) cannot exceed:

$5,250* - Self-only coverage

$10,500* - Family coverage



In general, the deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, plans can pay for "preventive care" services on a first-dollar basis (with or without a co-pay). "Preventive care" can include routine pre-natal and well-child care, child and adult immunizations, annual physicals, mammograms, pap smears, etc.

*2006 amounts; adjusted annually for inflation.

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HSA Contributions

You can make a contribution to your HSA each year that you are eligible. You can contribute up to the amount of your HDHP deductible but no more than:

$2,700* - Self only coverage

$5,450* - Family coverage

The following table illustrates how this works:

	HDHP Deductible	Maximum HSA (2006)
Single Coverage	$1,050	$1,050
	$1,500	$1,500
	$2,000	$2,000
	$2,500	$2,500
	$3,000	$2,700
Family Coverage	$2,100	$2,100
	$3,000	$3,000
	$4,000	$4,000
	$5,000	$5,000
	$6,000	$5,450

Determining Your Contribution

Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. If you do not have HDHP coverage for the entire year, you will not be able to make the maximum contribution. All contributions (including catch –up contributions) must be prorated. Your annual contribution depends on the number of months of HDHP coverage you have during the year (count only the months where you have HDHP coverage on the first day of the month).

Contributions can be made as late as April 15 of the following year.

Using Your HSA

You can use the money in the account to pay for any "qualified medical expense" permitted under federal tax law. This includes most medical care and services, dental and vision care, and also includes over-the-counter drugs such as aspirin.

*2006 amounts; adjusted annually for inflation.

You can generally <u>not</u> use the money to pay for medical insurance premiums, except under specific circumstances, including:

- Any health plan coverage while receiving federal or state unemployment benefits.
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage.
- Qualified long-term care insurance.
- Medicare premiums and out-of-pocket expenses, including deductibles, co-pays and coinsurance for:
  - Part A (hospital and inpatient services)
  - Part B (physician and outpatient services)
  - Part C (Medicare HMO and PPO plans)
  - Part D (prescription drugs)

You can use the money in the account to pay for medical expenses of yourself, your spouse, or your dependent children. You can pay for expenses of your spouse and dependent children even if they are not covered by your HDHP.

Any amounts used for purposes other than to pay for "qualified medical expenses" are taxable as income and subject to an additional 10% tax penalty. Examples include:

- Medical expenses that not considered "qualified medical expenses" under federal tax law (e.g., cosmetic surgery).
- Other types of health insurance unless specifically described above.
- Medicare supplement insurance premiums.
- Expenses that are not medical or health related.

After you turn age 65, the 10% additional tax penalty no longer applies. If you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the additional 10% penalty.

Advantages of HSAs

Tax Savings –An HSA provides you triple tax savings:

(1) tax deductions when you contribute to your account;

(2) tax-free earning through investment; and,

(3) tax-free withdrawals for qualified medical expenses.

If you have any questions or would like to discuss HSAs further, please contact our office to make an appointment.

QuickBooks Tips

Q I have 4 checks that I have voided and they are still appearing on the Pay Bills section of QuickBooks. I have voided these checks, how do I get them out of this area?

A Actually, you are not seeing the checks in the *Pay Bills* window; you are seeing the bills that they paid in the window. You see, when you void a check that paid a bill, QuickBooks reopens the bill, making it available for payment. To solve your problem, you can delete the bills-which does not provide you with an audit trail-or you can enter vendor credits for them and then match the credits to the bills in the *Pay Bills* window.

To enter vendor credits, click **Vendors** and then click **Enter Bills.** At the top of the *Enter Bills* window, click the **Credit** button. Select the vendor, and, in the detail area, enter the accounts you used when you recorded the original bill. Then click **Save & Close.**

To apply the credit to the bill, click **Vendors** and then click **Pay Bills.** In the *Pay Bills* window, place a check next to the bill you want to credit. The amount of the available credits appears on the right side of the *Discount & Credit information for Highlighted Bill* section, and the **Set Credits** button becomes available.

Click the **Set Credits** button to select the credit you want to apply and then click **Done** to redisplay the *Pay Bills* window. Click **Pay & Close** in the *Pay Bills* window. QuickBooks will display a message stating that one or more bills were paid by credits and were not associated with a bill payment check.

How long should records be kept?

Records	*Retention Period*
Cancelled checks	7 years
Credit card receipts	7 years
Paid invoices	7 years
Bank deposit slips	7 years
Bank statements	7 years
Tax returns (uncomplicated)	7 years
Tax returns (all others)	Permanent
Employment tax returns	7 years
Expense records	7 years
Financial statements	Permanent
Contracts	Permanent
Minutes of meetings	Life of company Plus 7 years
Corporate stock records	Permanent
Employee records	Period of employment plus 7 years
Depreciation schedules	Life of assets plus 7 years
Real Estate records	Ownership period plus 7 years
Inventory records	7 years
Home purchase and . . . . Improvement records	Ownership period plus 7 years

QuickBooks Seminars

Seminar Topic	Date	Time
Construction/Job Costing	May 18, 2006	9:00 am — 12:00 pm
Payroll & Payroll Taxes	June 22, 2006	9:00 am — 12:00 pm
Reports & Business Management	July 20, 2006	9:00 am — 12:00 pm
Payroll and Payroll Taxes	August 24, 2006	9:00 am — 12:00 pm
Construction/Job Costing	September 21, 2006	9:00 am — 12:00 pm
Reports & Business Management	October 26, 2006	9:00 am — 12:00 pm
QuickBooks Training Seminar	January 25, 2007	8:30 am — 4:30 pm
QuickBooks Training Seminar	January 30, 2007	8:30 am — 4:30 pm

Please contact our office for price and information regarding multiple class discounts

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