

Norwalk Business Service, Inc.

Earl M. Salter, EA. Richard J. Cavish, EA. Brenan J. Cavish, EA

email: earlmsalter@nbs-tax.com email: rcavish@nbs-tax.com email: bcavish@nbs-tax.com

****Medical Insurance & Independent Contractor Rules****

Dear Client,

Happy Holidays to you and your family!

As the season comes to a close, our office is starting to get calls for year-end and next year tax planning. California has issued a couple of rulings that will affect many of our clients as they plan for next year.

Health Insurance:

Last tax season, many of our clients were relieved to hear that they would no longer face penalties for not having health insurance coverage. The IRS penalty was repealed for years after 2018.

The reprieve only lasted through 2019. This year, California passed a new health care insurance requirement for all taxpayers in California. Starting January 1, 2020 you will face the same penalties that were previously being assessed by the IRS if you do not have health insurance coverage.

Independent Contractors:

In a response to a ruling by the California Supreme Court, the state of California passed Assembly Bill 5 which codifies stricter rules for most business who use Independent contractors. While this law was written with companies like Uber, Lyft, and Dynamex in mind, it has far reaching consequences. With the new rules, workers that fail the ABC test and do not qualify for an exemption should be employees. This would include office help, assistants, artists, barbers, cosmetologists, editors, designers, photographers, trucking contractors, and many more.

The following is the ABC Test:

- (A) That the worker is free from the control and direction of the hirer in connection with the performance of the work, both under the contract for the performance of such work and in fact;
- (B) That the worker performs work that is outside the usual course of the hiring entity's business; **and**
- (C) That the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity.

There are some exceptions in the rules. Most notably Real Estate Agents are exempt from the bill. If you are an independent contractor or are paying independent contractors and you have questions, please give our office a call.

Our year-end tax planning email will come in December.

Earl M. Salter, EA. #9665 Richard J. Cavish, EA. #27191 Brenan J. Cavish, EA.#117508

Website: www.nbs-tax.com