

THE UNITED STATES SUPREME COURT AND YOUR INCOME TAXES



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When Congress enacted the Affordable Care Act (ACA), several new taxes were implemented to pay for the new healthcare benefits commonly known as Obamacare. Among those new taxes were two new income taxes, a Medicare surtax and a net investment income tax. Both taxes total 4.7% and apply to single filers with AGIs of \$200K and up; and \$250K and up for married filers filing jointly.

About 18 months ago, a federal appeals court affirmed a lower court ruling that the individual mandate component of the ACA was unconstitutional. The U.S. Supreme Court has agreed to hear the appeal and will likely render a ruling in the next couple of months. If the ruling is such that the aforementioned taxes are deemed unconstitutional some refunds may be due.

So here's what we've been discussing at Truxton...the statute of limitations on filing a protective claim for taxes paid on a 2016 return expires on July 15, 2020, for taxpayers that filed their 2016 returns by April 15, 2017. If a claim is filed before the statute expires, our clients' rights to a refund is preserved even if the case is decided after the statute of limitations. However, we do not think that this effort will prove to be meaningful because it was not until the 2019 tax year that the individual mandate (previously okayed by the Supreme Court by calling it a tax) was formally eliminated by the 2017 Tax Cuts and Jobs Act. As a result, the wealth management team at Truxton believes that if Texas vs USA were to result in the ACA and its associated taxes being declared unconstitutional, the refund potential will likely begin with the 2019 tax year. That said, if you feel that you should file a protective claim for a refund of these Obamacare taxes for tax years 2016 through 2018, please contact your tax professional right away. If you wish to review how much tax you have paid related to the ACA you can review Forms 8959 and 8960 in your personal 1040.

Truxton will continue to monitor this case and resulting impact on our individual clients, trusts, and estates. ■

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