

Affordable Health Care Act Summary

We know the Affordable Health Care Act, AKA "Obamacare", has caused a lot of confusion for everyone, including the Tax Professional community. To date there are three separate laws and over 15,000 pages of regulations and explanations that have been written on this act. This is a summary that hopefully helps a little in understanding it.

Benefits:

1. Coverage on Children to Age Twenty-Six – your child does not have to be your dependant to keep him/her on your insurance. This has been in effect since 2010.
2. Patient Bill of Rights – also in effect since 2010, comes with more than fair treatment and an appeal process; lifts the ban on pre-existing conditions for children, prohibited rescinding coverage, eliminated lifetime maximums on coverage, allowed appeal rights for insurance claim denials and established a process for reviewing coverage cost increases.
3. Availability of health coverage to nearly 17 million families on January 1, 2014.
4. New Families Eligible for Medicaid – in 2014 the Medicaid program will be expanded to include children, parents and childless adults who fall within the 133% of the federal poverty level. 2013 rates – family of 1 was \$11,490 and family of 4 was \$23,550.
5. Providing Preventative Free Care – The program encourages preventative care visits without co-pays or deductibles.

Refundable Tax Credits:

1. Small Business Health Care Tax Credit – it is refundable but can be applied to 941.
2. Health Care Tax Credit for individuals - families within 400% of the federal poverty level (45,960 for family of 1 and \$94,200 for family of 4) can qualify. It is based on health insurance premium paid. Credit can be applied toward the health insurance premiums. Employees using employer sponsored plans do not qualify.

Limitations on Deductions: (most prevalent)

1. Medical expense deduction increases to 10% (already discussed)
2. FSA (Flexible Spending Account) health deduction limited to \$2,500 - does not affect HSA, HRA, and Archer MSA or employee contributions toward insurance premiums.
3. Health Insurance Providers \$500,000 Cap on Compensation – compensation paid to officers, executives, directors or consultants over \$500,000 cannot be deducted in current year, but can carry it forward to a year that it becomes deductible.

Additional Taxation: (how it's paid for)

1. Investment Income Tax – a 3.8% net investment tax applied to individuals with Modified Adjusted Income above \$200,000 for individual and \$250,000 for married filing joint. This new tax applies to interest, dividends, capital gains, and annuities outside retirement plan, royalties, rental from real estate and other investment income. **This does include receiving a K-1 from a LLC, Estates and Trust.**

2. Additional Medicare Tax – additional .9% Medicare Tax on individuals with wages over \$200,000, for married filing joint over \$250,000. Nonresident aliens and U.S. citizens living abroad will also be subject to the new Medicare Tax.
3. Medical Device Excise Tax – new excise tax of 2.3% will be assessed for all medical devices intended for humans.
4. Indoor Tanning Services Excise Tax – the excise tax on tanning services is 10%

Affordable Care Act Penalties and Fees –

1. Individual Penalty for not having Health Coverage – beginning in 2014 the penalty will be \$95 per individual (not to exceed \$285 per family or 1% of household income whichever is greater). Beginning in 2015 the penalty increases to \$325 per individual (not to exceed \$975 or 2% of household income). 2016 the penalty increases to \$695 per individual (not to exceed \$2,085 per family or 2.5% of household income).
2. Employer Penalty
3. Fees for Patient-Centered Outcome Research – for policy years ending after September 30, 2012 issuers of health insurance policies will pay a fee of \$2 multiplied by the number of lives covered under the policy or plan. Then the fee goes down to \$1 for 2013 on a temporary basis. These fees are earmarked for advancing comparative clinical effectiveness research.

I hope this summary helps in understanding the basics. In Louisiana you have to sign up through the Federal Exchange at HealthCare.gov. In other states there is a state exchange.