THE HIDDEN TRUTH ABOUT THE AFFORDABLE CARE ACT

REVEALED
in this report are the taxes and fees that will have a dramatic impact on your income.

900 pages of legalese is summarized in 4 pages of plain English.
The Affordable Care Act is now law

Our accounting firm has reviewed all 907 pages of the text, which is full of new financial mandates. Below you will find a summary of the taxes, fees, penalties and benefit reductions that will most significantly impact you, your business or your employer. As employers feel the increasing burden of these requirements, it is possible their response may be to lower benefits and/or reduce the amount they are willing to pay, leaving more for you to personally fund, both now and in the future.

Additional Medicare Tax
An additional 0.9% Medicare Tax applies to an individual’s wages, Railroad Retirement Tax Act compensation and self-employment income that exceeds $200,000 for individuals, $250,000 for married couples filing jointly and $125,000 for married taxpayers who file separately.

Medicare Part D Deduction
Elimination of tax deduction for employer-provided retirement Rx drug coverage in coordination with Medicare Part D.

Net Investment Income Tax
A new 3.8% Net Investment Income Tax applies to individuals, estates and trusts that have net investment income or modified adjusted gross income in excess of $200,000 for individuals and $250,000 for married couples filing jointly. There are certain exceptions for active business income; IRA and retirement plan withdrawals, self-employment income and tax exempt income. This tax does impact the gain from the sale of one’s primary residence; however, it is only calculated on the amount after the current allowed exemption of $250,000 for a single taxpayer and $500,000 for a couple filing jointly.

High Medical Bills Tax
Currently, those facing high medical expenses are allowed a deduction for medical expenses to the extent that those expenses exceed 7.5 percent of adjusted gross income (AGI). The new provision imposes a threshold of 10 percent of AGI. Waived for taxpayers age 65 and older for years 2013-2016 only.

By limiting this deduction, PPACA widens the net of taxable income for the sickest Americans. This tax provision will most harm near retirees and those with modest incomes but high medical bills.

Limits on Health Flexible Spending Arrangements
The amount that employees may contribute to a Flexible Spending Account (FSA) is limited to $2,500 (currently it is unlimited) and indexed to inflation after 2013. This portion of the bill is also known as the “Special Needs Kids Tax” because there are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education.

Individuals are also no longer able to use health savings account (HSA), flexible spending account (FSA), or health reimbursement (HRA) pre-tax dollars to purchase non-prescription, over-the-counter medicines (except insulin). This portion of the bill is often referred to as the Medicine Cabinet Tax and went into effect in 2011.
Medical Device Excise Tax
Manufacturers and importers will pay 2.3% medical excise tax on certain medical devices retailing for over $100.

Limitation on Deduction for Executive Compensation Paid by Certain Health Insurance Providers
Health insurers cannot take a deduction of more than $500,000 for any current or deferred compensation paid to an officer, director, or employee with respect to services performed. The amendment goes into effect for taxable years beginning after Dec. 31, 2012, but may affect deferred compensation attributable to services performed in a taxable year beginning after Dec. 31, 2009.

Non-discrimination Testing for Fully-insured Employer Health Plans
Fully-insured employer sponsored health plans must satisfy the non-discrimination rules by meeting certain testing requirements. If the plan fails to comply with the non-discrimination rules, the employer will be subject to an excise tax of $100 per day for each non-highly compensated employee who is being discriminated against, up to a maximum of $500,000.

Small Business Health Care Tax Credit
This new credit helps small businesses and small tax-exempt organizations that typically employ fewer than 25 workers afford the cost of covering their employees. It is specifically targeted for those businesses with low- and moderate-income workers, earning $50,000 per year or less. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees.

Health Insurance Premium Tax Credit
Starting in 2014, individuals and families can take a new premium tax credit to help them afford health insurance coverage purchased through an Affordable Insurance Exchange. Exchanges will operate in every state and the District of Columbia. The premium tax credit is refundable so taxpayers who have little or no income tax liability can still benefit. The credit also can be paid in advance to a taxpayer’s insurance company to help cover the cost of premiums.

Individual Mandate Excise Tax
A tax/penalty will apply to individuals who fail to maintain minimum essential health coverage on themselves and their dependents. The penalty is the greater of $95/person or 1% of adjusted gross income over the tax filing threshold. This formula increases for 2015 ($325/person or 2% of AGI) and again for 2016 ($695/person or 2.5% of AGI).

Employer Mandate Tax
If an employer with 50 or more full-time equivalent employees does not offer health coverage and at least one employee qualifies for a health tax credit or cost-sharing reduction payment, the employer must pay an additional non-deductible tax of $2000 for each full-time employee after the first 30 workers. If an employee actually receives coverage through an exchange, the penalty on the employer for that employee rises to $3000. If the employer requires a waiting period of 30 – 60 days to enroll in coverage, there is a $400 tax per employee ($600 if the period is 60 days or longer).
W-2 Disclosure of Health Coverage Cost

Large employers (250+ issued W-2s for 2011) required to disclose health coverage costs beginning with 2012 W-2s. Disclosure includes medical insurance, dental and vision plans (unless separate plans) and self-insured arrangements. Significant penalties for noncompliance, up to $100 per return and up to $200 per W-2.

Medical Loss Ratio (MLR) Rebates

Beginning in 2011, insurance companies are required to spend a specified percentage of premium dollars on medical care and quality improvement activities, meeting a medical loss ratio (MLR) standard. Insurance companies that are not meeting the MLR standard will be required to provide rebates to their consumers beginning in 2012. If employees pay premiums on a pre-tax basis, an MLR rebate is subject to federal income and employment tax.

Tax on Health Insurers

Beginning in 2014 health insurers will begin paying an annual tax relative to health insurance premiums collected that year. Phases in gradually until 2018.

Excise Tax on Comprehensive Health Insurance Plans

Starting in 2018, there will be a new 40% excise tax assessed on health insurer or plan administrator offering high cost or "Cadillac" health insurance plans. High cost is determined by the cost of the annual premium, $10,200 for single and $27,500 for family. A higher threshold ($11,500 single/$29,450 family) will be used for early retirees and high-risk professions. The tax will be applied to the premiums above the thresholds.

Transitional Reinsurance Program

The Affordable Care Act requires all health insurance issuers and self-insured group health plans to make contributions under the Transitional Reinsurance Program to support payments to individual market issuers that cover high-cost individuals.

Excise Tax on Indoor Tanning Services

A 10% excise tax on indoor UV tanning services went into effect on July 1, 2010. The tax doesn’t apply to phototherapy services performed by a licensed medical professional on his or her premises. There’s also an exception for certain physical fitness facilities that offer tanning as an incidental service to members without a separately identifiable fee.

Comparative Effectiveness Research Plan Fee (Patient Centered Outcomes Research Institute Fee)

For policy or plan years ending after Sept. 30, 2012, issuers and employers sponsoring certain group health plans must pay a fee of $1 per covered life per year. The fee adjusts to $2 per covered life for policy or plan years ending Oct. 1, 2013, through Sept. 30, 2014. For policy or plan year ending after Sept. 30, 2014, the dollar amount in effect for such policy or plan year shall be adjusted by the Secretary of Treasury based on the percentage increase in the projected per capita amount of national health expenditures. The fee will not apply to policy or plan years ending after Sept. 30, 2019.
Solutions

With the increasing taxes we are facing in the Affordable Care Act, as well as increasing income tax rates in general, it is wise to employ strategies that will do two things for you:

- First reduce your taxes by deferring or eliminating them all together. You can do this with products like tax-deferred annuities, Roth accounts, and Life Insurance which, when properly structured, allows for tax-free income.

- Second it is important to increase your income to help you have more funds to pay for the increased cost of living, as well as increasing taxes. You may increase your income by maximizing your Social Security income and using the power of guaranteed withdrawal rates found in annuities, which are typically 4-7%.

Schedule a visit for your financial second opinion, where you can learn how to increase your Social Security income by as much as $1,000 monthly. You will also gain insight to determine if your portfolio is preparing you for a secure retirement.