

Siegler & Siegler
Certified Public Accountants, PC

Larry Siegler, CPA

Mary Siegler, CPA

8600 East Valley Road
P.O. Box 26515
Prescott Valley, AZ 86312

Office: (928) 772-1714
Fax: (928) 772-2814
E-mail: sieglercpa@hotmail.com
Website: sieglercpa.com

We thought you might be interested in some of the health care changes and how they may impact your personal situation. The new law is over 2,500 pages so it is nearly impossible to cover everything but we think this summary may be beneficial to you.

Let's start with a quick summary of the law's changes, by year:

2010

On the tax side:

- Small businesses with up to 25 employees earning \$40,000/year or less will get a tax credit for 35% of the cost of providing health benefits to their employees.
- And who can overlook a new 10% excise tax on indoor tanning services that use certain ultraviolet lights? That rule takes effect on July 1, just as outdoor tanning season goes into full swing.

On the healthcare side:

- Insurance companies can't deny coverage to children for pre-existing conditions.
- They have to let children stay on their parents' plans through age 26.
- They can't set lifetime limits on plan coverage.
- Finally, Medicare Part D recipients who enter the so-called "donut hole" will get rebates and discounts on prescription drug coverage. (The "donut hole" is a gap in prescription coverage where the government pays nothing and beneficiaries pay the full cost of drugs themselves.)

2011

On the tax side, employers will have to report the value of health benefits they provide employees on Form W2. That doesn't mean benefits will be taxable – but employers will face penalties if they don't provide that information.

On the healthcare side, Medicare Part D recipients entering the "donut hole" qualify for discounts rather than rebates on prescription drugs.

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2013

On the tax side:

- The 7.5% floor for deducting medical expenses rises to 10% (unless the client or spouse is 65 or older, in which case it stays at 7.5% until 2016).
- Healthcare flexible spending account contributions are capped at \$2,500/year, with no contributions for over-the-counter medications.
- Taxpayers with earned income above \$200,000 (\$250,000 for joint filers) will pay an extra 0.8% Medicare tax on earned income above those amounts.
- Finally, taxpayers with incomes above those thresholds will pay an Orwellian-named "Unearned Income Medicare Contribution" of 3.8% on their "investment income" (defined as interest, dividends, capital gains, rents, royalties, and annuities).

On the healthcare side, starting in 2013 the new law limits the deduction for health insurance company executive compensation to \$500,000, as opposed to the current \$1 million. It doesn't stop insurance companies from paying more than \$500,000 – it just stops them from deducting anything over \$500,000 on their own returns.

2014

On the tax side:

- Employers with more than 50 employees will have to offer health benefits or pay a penalty of up to \$2,000 per employee. Generally, employers will have to pick up at least 50% of premium costs. There's also a 90-day limit on waiting periods before offering new employees coverage.
- Most individuals who aren't covered through their employer will have to maintain "minimum essential coverage" or pay individual penalties. We'll talk about that more in a bit.

On the healthcare side:

- Insurance companies can't deny coverage to anyone for pre-existing conditions.
- Plans can't set annual limits on coverage. (Remember, the ban on lifetime limits takes effect in 2010.)
- States can expand Medicaid eligibility to non-elderly, non-pregnant individuals with incomes up to 133% of the federal poverty level. For 2014-2016, the federal government will pick up 100% of those costs.
- Finally, the law requires states to establish insurance "exchanges" where individuals and small businesses can comparison-shop for coverage.

The so-called "individual mandate" is one of the law's most controversial provisions. It says that by 2014, all Americans have to maintain "minimum essential coverage." If

not, they face a penalty starting at \$95 or 1% of income in 2014, and rising to \$695 or 2.5% of income in 2016. After 2016, the \$695 amount is indexed for inflation.

That's a pretty big step. The government has never required us to buy commercial products or services before. If you drive a car, most states mandate you buy car insurance – but nobody says you have to buy a car.

Of course, there are plenty of exceptions to the rule. If your taxable income is under the federal poverty line, or the cost of coverage is more than 8% of your household income, you don't have to pay. And if your taxable income is less than four times the federal poverty limit, you'll get tax credits to help pay for coverage.

But here's the weirdest part of the new law. There's no way for the government to enforce those penalties. Here's what the Joint Committee on Taxation had to say:

"The penalty is assessed through the Code and accounted for as an additional amount of Federal tax owed. However, it is not subject to the enforcement provisions of subtitle F of the Code. The use of liens and seizures otherwise authorized for collection of taxes does not apply to the collection of this penalty. Non-compliance with the personal responsibility requirement to have health coverage is not subject to criminal or civil penalties under the Code and interest does not accrue for failure to pay such assessments in a timely manner."

It will be interesting to see how many Americans who are willing to break the law by *not* buying coverage will be willing to pay a penalty that the government can't even enforce!

Legislation this complex and far-reaching is bound to attract opposition. And in this case, the opposition isn't folding, even though it's now the law of the land:

- Many prominent Republicans have vowed to overturn the law. They don't have the votes to do it now, and they aren't likely to get 67 votes necessary to sustain a certain Presidential veto even if they do overturn it in the Senate. But most experts expect the Democrats to lose congressional seats in this year's election, and if they lose enough, the Republicans can certainly make political hay.
- State governments have also stepped up to oppose the new law. Many states are afraid it pushes too many costs onto them, especially increased Medicaid costs. A group of 11 state attorneys general have argued that the new law violates states' rights, and plan to join together to block enforcement.

- Politicians in 36 states have introduced and in two cases even passed legislation that would limit or oppose various provisions of the law. For example, Virginia has passed a law making it illegal for the federal government to require Americans to buy health insurance. You can scoff at laws like that – but they can tie up enforcement in red tape and court challenges.
- Opponents also object that the “individual mandate” is unconstitutional. The argument here is that while Congress can certainly regulate economic activity, there’s no authority to penalize inactivity – specifically, not buying insurance. There’s no telling how these challenges will play out. Right now, the “smart money” says there aren’t five votes in the Supreme Court to repeal such a broadly political decision. But what if five justices decide the narrow margin gives them political cover for repeal? Lots of commentators doubted the Justices would stick their necks out to decide a presidential election. But that’s exactly what they did in 2000 with *Bush vs. Gore*.