

Patient Protection and Affordable Care Act of 2010

Obama Care was passed in March 2010 and will impact all taxpayers to some degree as follows:

- Starting in 2010 the Act requires dependent children be allowed to remain on parents insurance plan until age 26.
- The Act no longer permits lifetime benefit limits.
- Health Care Credit for small employers started in 2010. Employers with ten or fewer employees earning less than \$25,000 a year will be eligible for a credit of 35% of health insurance costs. There are phase out rules for up to twenty five employees and wages up to \$50,000. Beginning in 2014 through 2016 the credit is 50%.
- New Medicare taxes start in 2013. Of course nothing comes for free. Beginning in 2013, new proposed Medicare taxes on individuals earning more than \$200,000 a year and couples filing jointly earning more than \$250,000 a year in wages, rise to 2.35% from 1.45%. Further, a new 3.8% tax will be levied on these same taxpayers' "net investment income". Net investment income is generally interest dividends, royalties, rents, gross income from a trade or business involving passive activities, and net gain from disposition of property (other than property held in trade or business). Net investment income is reduced by properly allocable deductions to such income.
- The Medicare tax on investment income applies to annuity income but not IRA's, pensions or qualified gain from sale of personal residence.
- The Health Care Act has two mandates
 1. Employer mandate requires employers with more than 50 full time employees to offer and contribute to their workers health insurance or they will pay a penalty. The penalty ranges from \$2,000 to \$3,000 per employee depending on the circumstances. (Note this portion of this Act has been delayed until January 1, 2015.)
 2. Employee mandate requires all individuals who can afford health care insurance purchase some minimally comprehensive policy. For purposes of the low "individuals who can afford health care insurance" is defined as people for whom the minimum policy will not cost more than 8% of their monthly income, and who make more than the poverty line.
- Starting in October 2013 each state is required to establish health benefit exchanges and Small Business Health Options Programs (SHOP) through which small businesses will be able to pool together to buy insurance. Small business means those having no more than 100 employees.

- If the States do not set up the Exchange the federal government will.
- Employees and other citizens under age 65 that do not have health insurance will be able to go to the exchanges and obtain coverage.
- Individuals and households with income of more than 133% of the poverty level but less than 400% will be eligible for premium credits subsidized through the exchange.
- To estimate the amount of credit you will be eligible for you can use the calculator at the following website.

Henry J. Kaiser Family Foundation's Calculator

- Individuals who choose not to obtain coverage will be subject to a penalty as follows:

2014:

Families - \$285 or 1% of total household income, whichever is greater.
Individual adults - \$95 or 1% of total household income.

2015:

Families - \$975 or 2% of income, whichever is greater.
Individual adults - \$325 or 2% of income.

2016:

Families - \$2,085 or 2.5% of income, whichever is greater.
Individual adults - \$695 or 2.5% of income.

- The penalty will be assessed on an individual's personal income tax return form 1040 starting with the 2014 tax returns due by April 15, 2015.

Compliance with "Obama Care" will be handled by our friends at the Internal Revenue Service.

The above represents a short summary of the Patient Protection and Affordable Care Act of 2010.

If you have any questions of how the Act impacts you, please contact your advisor at Felix & Gloekler, P.C..