

DEO, LAMANNA, DEO & CO., PC
Certified Public Accountants
www.dldcpa.com

Patrick J. Deo, CPA, Cr.FA
pat@dldcpa.com
Anthony LaManna, CPA
tonyl@dldcpa.com
Michael J. Deo, CPA
miked@dldcpa.com

CLIENT ALERT

HEALTH CARE LAW

HOT OFF THE PRESS - this morning the “bill” was sent back to the House of Representatives because of problems resulting from the “rush” to get it passed. Democrats are describing the situation as a “minor glitch”.

The vote is in (passage by a only a slim margin of 4) and the ink is dry (maybe). It will be months maybe years before the impacts are fully realized or even understood. The following are some highlights of the \$983 billion 10 year price tag thousands of pages law gleaned from various professional publication summaries:

- The law is geared to raise over 400 billion in new taxes, fees and penalties.
- Our “friendly” Internal Revenue Service has been given even more authority than they currently have - some estimate that the Internal Revenue Service will have to hire about 16,000 new employees.
- Effective 2013, insurance mandates require just about everyone in the country to have “minimum essential” (yet to be defined) insurance coverage or pay substantial penalties - which will go up to \$695 per person or 2.5% of income whichever is higher.
- Health insurers will be required to report to the Internal Revenue Service health insurance coverage information for all taxpayers.
- Internal Revenue Service will be fixed with the responsibility to verify that businesses are complying with the law to provide health insurance for employees or be assessed substantial penalties - which could be as much as \$2,000 per employee. There will be some exceptions for businesses with less than 50 employees.

- Businesses with less than 25 employees, with average salaries of less than \$40,000, will be eligible for credits based on the insurance provided to employees. The credit can be as much as 50% of the cost of the insurance.
- Low income taxpayers will be eligible for assistance in paying for insurance.
- Changes in Medicare will also help low income taxpayers by providing for increased subsidies.
- Effective 2013, a new Medicare tax of .9% will be assessed on earned income in excess of \$200,000 (\$250,000 for families).
- Effective 2013, there will be a new Medicare tax of 3.8% on investment income for individuals with income over \$200,000 (\$250,000 for joint returns). Investment income includes interest, dividends, royalties, rents, capital gains, and passive activity income (distributions from retirement accounts are currently excluded). Self employed individuals, trusts and estates are also subject to this tax. (USA Today reported today that this provision could affect the investment market.)
- Certain health related industries are going to be hit with fees designed to collect \$2.5 billion in 2011, increasing each year based on inflation.
- Use of FSA money will be restructured to exclude over the counter drugs and contributions to FSAs will be limited to \$2,500.
- The medical expense deduction threshold is being raised from 7.5% to 10% beginning in 2013.

What's next? – court battles, constitutional challenges, repeal legislation, amendments, etc. Bottom line – the legislation is a major change in the direction of the United States. Whether an individual or business, it will be important to know what the laws impact will be and how it affects you.

March 25, 2010

***Disclaimer:** This e-mail represents a general overview of tax developments and should not be relied upon without an independent, professional analysis of how any of these provisions may apply to a specific situation. Any tax information contained in the body of this e-mail was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.*