

Healthcare Bill Tax Changes

(04-22-2010)

- President orders an end to the Bush Tax cuts at the end of 2010. What most people do not realize is the tax cuts covered all income levels.

Tax before Bush Cuts	Tax after Bush Cuts	Income Level (single/family)
----	10%	\$0 to 8,375 / 16,750
15%	15%	up to 34,000 / 68,000
28%	25%	up to 82,400 / 137,300
31%	28%	up to 171,850 / 373,650
36%	33%	up to 373,650 / 373,650
39.6%	35%	all over above

All tax brackets will now revert to the first column. The 10% bracket will be eliminated.

- Child Tax credit is reduced from \$1,000 to \$500.
- All employees and self employed who make \$200 k or more will have an increase in the social security tax of 0.9%. The Social Security tax goes from 2.9% to 3.8%.
- Any employees who have mutual funds or stocks will get the same capital gains tax increase of 5% as the rich. The President is raising the tax from 15% to 20%. Anyone with a combined income of pay plus investments over \$200k will pay the new 3.8% Medicare tax on all of it.
- Increase from 7.5% to 10% in medical expenses as a percentage of income before the expenses can be deducted. (starts in 2013 under section 9013)
- Employees with an HSA, FSA or HRA will no longer be able to use pre-tax dollars to purchase over the counter non-prescription medicines. They will now pay the tax on these purchases.
- Non-medical early withdrawals from an HSA will now be taxed at 20% instead of 10% now. (this is in section 9004)
- FSA's will now be limited to \$2,500 per year maximum. This is tax free. Anyone who normally has more taken out will now pay out of pocket and pay all applicable taxes. (This is in section 9005)
- There is now a tax of 10% on indoor tanning. (section 10907)
- 40% tax on high cost insurance plans reaching \$10,200, but exempts union members unless the cost of their plan reaches \$27,500. It starts in 2018 and the tax is applied to the insurer, which means most organizations will eliminate benefit rich plans by 2018.

- Deductions for Long Term Care starting in 2012 equal to \$30 per paycheck or 1.5% of gross income. The rate will increase up to the same amount as the Medicare deduction. It is presently at 2.9% but will increase to 3.8% under the new healthcare bill. This means, an employee making \$30,000 per year plus a healthcare benefit of \$12,000 will have a deduction of \$61.38 per paycheck. (based on 26 pays). The deduction would be \$30.69 if paid weekly.
- Beginning in 2014, anyone who does not have insurance will pay a fine to the IRS. This fine goes to \$695 a year or 2.5% of your gross income in 2016. Generally speaking, anyone making \$30,000 or more will pay 2.5% of their income.
- Per the Taxpayers Coalition, a family of four, making a combined \$75,000 per year will have a tax increase of approximately \$5,300 for 2011. The same family (like a school teacher and a fireman) who make a combined \$125,000 will have a tax increase of approximately \$7,000.
- Annual tax on all Health Insurance plans will force health insurance companies to raise premiums. This will cost individuals more and increase the amount employees will have added to their income on the W2. Keep in mind that the addition of the health insurance cost to the W2 will also have the new 3.8% Medicare tax applied.
- Annual tax to all drug companies on Brand name drugs. This cost will be passed on to consumers purchasing the drugs. This will also force Health Insurance companies to raise premiums to cover the cost increases on the drugs.
- Reduction in Medicare reimbursement fees to Hospitals and Doctors. This cost will be passed on to Medicare recipients or their Medicare supplement insurance plans, forcing the premiums to go up.
- Tax on all medical devices will force these companies to raise their prices. This in turn will cause insurance companies to raise premiums or reduce benefits. The cost will be passed on to the consumer. Especially hard hit will be seniors.
- Small employers are especially hard hit. If they do not provide health insurance, they will pay a fine of \$750 for each employee. A small business with five employees would pay a fine of \$3,750. In addition, each employee will be required to buy health insurance or pay the \$695 fine.
- If an employer has a waiting period of 30 or 60 days, there is a \$400 or \$600 additional tax per employee. (Section 1513 of the bill) This adds much more administration cost, especially for employers who have high turnover of employees. The administration cost for the health insurance companies will also go up, forcing them to raise premiums.