

TMA'S Health REFORM School

Survive and Thrive in the New Health Care Landscape



News
about tax
provisions

Six Tax Provisions in New Health Law Physicians Need to Know

Although the Affordable Care Act (ACA) to reform the nation's health care system was enacted in March 2010, the legal and political wrangling will go on for years. Texas physicians cannot allow the new law to get in the way of what medicine is all about — caring for patients.

ACA is immense in size and scope, and many provisions are not yet fully understood. That is why the Texas Medical Association is continuing its massive education campaign to help Texas physicians and their practices survive and thrive in this environment. Here are six important facets of the new health law that every physician needs to know about taxes.

1. Small-Business Tax Credit

The new law provides a tax credit for small employers with fewer than 25 full-time equivalent employees and average annual compensation levels not exceeding \$50,000 if the employer provides health care benefits and pays at least half of the premium cost. The credit phases out with more employees and higher compensation.

- The credit is in effect for tax years starting in 2009.
- New Internal Revenue Service (IRS) rules say businesses will be permitted to exclude the compensation of owners and family members in the average compensation calculation.
- The largest tax credit of 35 percent is available to employers with 10 or fewer employees and average annual wages of less than \$26,000. This maximum credit amount increases to 50 percent in 2014.

More information is available from the IRS.

2. Business Tax Reporting

Starting in 2012, employers must disclose the value of all tax-excluded health benefits on employees' W-2 forms. The law originally required all businesses to report annually all payments for purchased goods, property, or services in excess of \$600 on an IRS Form 1099. In April, 2011 Congress repealed this requirement.

3. Cadillac Plan Tax

Beginning in 2018, high-cost plans above \$10,200 for individuals or \$27,500 for families are subject to a 40-percent tax. The plan costs include employer and employee premiums as well as contributions to health savings or reimbursement accounts. It does not include the cost of separate vision or dental plans. Taxability thresholds increase by inflation plus 1 percent for 2019 and are based on inflation after that.

4. Employer Penalty

In 2014, employers with more than 50 full-time employees must report information about the health plan they offer, including the plan's premium, employer contribution, and enrollment of employees and dependents in the offered plans. Employers are subject to penalties if:

- They do not offer a health plan with "minimum essential coverage." The penalty is up to \$2,000 per full-time-equivalent employee.
- They offer coverage but the coverage is "unaffordable" for some employees. The penalty is up to \$3,000 per employee who uses tax credits to purchase a plan in the exchange.

continued



Physicians Caring for Texans

Important Effective Dates

March 2009	Tax credit for small business
March 2010	Tax credit for small business
Jan. 2011	Limits go into effect for HSAs, HRAs, and FSAs
Jan. 2012	Value of health care benefits reported by employers
Jan. 2013	Higher threshold for medical expense deduction Medicare payroll tax increases Tax imposed on investments
Jan. 2014	Employer reporting of health coverage Individual mandates to purchase insurance and penalties Employer penalties relating to health coverage
Jan. 2018	Cadillac plan tax



Physicians Caring for Texans

5. Tax Penalty for Uninsured

Beginning in 2014, individuals who do not maintain qualifying health insurance coverage are subject to tax penalties:

- 2014 — the greater of \$95 or 1 percent of income,
- 2015 — the greater of \$325 or 2 percent of income, and
- 2016 — the greater of \$625 or 2.5 percent of income.

After 2016, penalties increase annually depending on inflation.

6. Individual Tax Requirements

Here are a few things you need to know for your individual taxes.

Starting in 2011:

- You will need a prescription to purchase over-the-counter drugs with tax-exempt funds from health savings accounts (HSAs), health reimbursement arrangements (HRAs), or flexible spending accounts (FSAs). The penalty for nonmedical use of HSA funds also increases to 20 percent.
- FSA contributions are limited to \$2,500, with annual inflation adjustments in subsequent years.

In 2013 these tax provisions take effect:

- The minimum threshold for itemizing medical expense deductions is increased from 7.5 percent of adjusted growth income (AGI) to 10 percent of AGI, with a temporary exception for individuals over age 65.
- An additional Medicare payroll tax of 0.9 percent is imposed on income above \$200,000 or \$250,000 for a joint return. Withholding and estimated tax payments are required.
- A 3.8-percent tax is imposed on the lesser of the individual's net investment income for the year or the amount of the individual's modified AGI above \$200,000 for an individual or \$250,000 for a joint tax return. Net investment income includes interest, dividends, annuities, royalties, rents, and income from other passive investments or the sale of property. It does not include distributions from qualified retirement plans.

Questions? Turn to TMA for Answers

TMA has a wealth of information posted on our website. We also have webinars, online tools, publications, and live seminars to help you learn more about the new health law. The best part is you can earn continuing medical education credits at the same time.

Call TMA Practice Consulting at (800) 523-8776 for an operations assessment that includes:

- Accounts receivable analysis,
- Review of billing/collections processes,
- Patient flow analysis,
- Internal controls review,
- Managed care process analysis,
- Review of medical records systems,
- Review of practice management software,
- Overhead analysis,
- Human resources/Personnel issues, and
- Clinical staff operations.

Or, attend TMA's "Do This Now" seminar. Learn what you need to do now and in the future to be compliant with the new health law.

Call the TMA Knowledge Center for (800) 880-7955 for more information, or go to texmed.org/hsr for a complete list of resources available for you and your staff.