



Healthcare Reform: Tax Implications

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2009 Social Security Rates

- Employee Maximum Taxable Earnings:
 - Social Security (OASDI only) 6.20% \$106,800
 - Medicare (HI only) 1.45% No Limit

- Self Employed Maximum Taxable Earnings:
 - Social Security (OASDI only) 12.40% \$106,800
 - Medicare (HI only) 2.90% No Limit

2009 Federal Tax Rates

Income Tax Rate	Single		Married Filing Jointly		LTCG/ QD* Rate
	over	up to	over	up to	
10%	0	8,350	0	16,700	0%
15%	8,350	33,950	16,700	67,900	0%
25%	33,950	82,250	67,900	137,050	15%
28%	82,250	171,550	137,050	208,850	15%
33%	171,550	372,950	208,850	372,950	15%
35%	372,950		372,950		15%

Current

Taxpayer	Fed Tax	Social Security	Notes
Employee with employer provided health insurance	Non-taxable	Non-taxable	
Employee contributions to HSA or MSA	Taxable	Taxable	A) Can get federal tax deduction if spent on qualified expenses
Employee with optional insurance under cafeteria plan (section 125)	Non-taxable	Non-taxable	
Employee with no insurance	Taxable	Taxable	B) Federal tax deduction available if itemizing deductions and medical costs exceed 7 1/2 % of AGI
Sole proprietor	Non-taxable	Taxable	C) Non-taxable as long as they have SE earnings – Otherwise see note B above

Senate Finance Committee

America's Healthy Future Act (Baucus Bill)

- Uninsured
 - Individual: Tax penalty of \$950 per person (max \$1,900)
 - Business: Tax penalty of \$750 per employee
 - Small business credit (less than 50 emp)
- Exceptions apply
- Small employers receive tax credit up to 35% of employers contribution
- Add tax to employer family plans with premiums worth more than \$21,000 per year (\$8,000 for individuals)
- Cap flexible spending accounts to \$2,500, 20% penalty for improper distributions
- This tax on health plans would only effect 8% of taxpayers
- Employers likely to pass along tax to workers or trim benefit packages to keep under threshold

Senate Finance Committee

America's Healthy Future Act (Baucus Bill)

- Tax on insurers of 40% above these thresholds (beg 2013)
- New “fees”
 - 2.3 billion pharmaceutical
 - 4 billion medical device
 - 6.7 billion annual fee for health insurance
 - 750 million clinical labs

Senate HELP Committee

Affordable Health Choices (Kennedy Bill)

- Uninsured
 - Individual: Tax penalty of \$750 per person (max \$3,000)
 - Business: Tax penalty of \$750 per employee
 - Small business credit (less than 50 emp)
- Exceptions apply
- Problems:
 - Taxes are not dischargeable in bankruptcy
 - Penalties tend to be under-reported

House Tri- Committee

America's Affordable Health Choices Act of 2009

- Sections 411-412 Pay or play for businesses with more than \$250,000 in payroll
 - “play” by offering qualified coverage to their employees
 - “pay” an 8% payroll tax
- Section 441 Imposes a surtax on individual modified adjusted gross income exceeding \$350,000 (joint filers) and \$280,000 (single).
 - Tax of 1% for households earning between \$350,000 and \$500,000 (joint);
 - 1.5% for incomes between \$500,000 and \$1,000,000;
 - 5.4% for income above \$1 million.
 - Tax for the first two rates would increase to 2% and 3%
 - Max rate now 40.4%

H.R. 3200 America's Affordable Health Choices Act of 2009

- Tax credit equal to 50% of the amount paid by a small employer
 - Phased out for employers with 10 to 25 employees and for employers with annual wages of \$20,000 to \$40,000 per year
- Establish Center for Comparative Effectiveness Research within the Agency for Healthcare Research and Quality,
 - financed by a tax on accident and health insurance policies
- Uninsured pay “penalty” of 2.5% of modified AGI, limited to cost of premium
 - Exceptions apply

Our Panel:

Michael D. Bosma, Kevin Reid
CPA Reid & Capurro
Bosma Group, P.C. Real Estate, LLC.
Business Tax Real Estate
Accounting

James Kalicki, Esq. Kevin Darby, Esq.
Kalicki Law Offices Darby Law Practice
Estate Planning Bankruptcy
Counseling

Blayne A. Gale,
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RSVP. to
Kimberly
by 11/3