



# American Healthcare Education Coalition

## Tax Increases Contained in ObamaCare

December 1, 2010

### Individual Mandate Excise Tax

#### Section 1501 (Page 324) • Effective January 2014

Starting in 2014, anyone not buying “qualifying” health insurance must pay an individual income surtax according to the higher of the following (page 71 of manager’s amendment updates Reid bill):

	Single	2 People	3+ People
2014	\$495/0.5% AGI	\$990/0.5% AGI	\$1485/0.5%/AGI
2015	\$495/1.0% AGI	\$990/1.0% AGI	\$1485/1.0%/AGI
2016+	\$495/2.0% AGI	\$990/2.0% AGI	\$1485/2.0%/AGI

Exemptions exist for religious objectors, undocumented immigrants, prisoners, those earning less than the poverty line, members of Indian tribes, and hardship cases (determined by HHS).

### Employer Mandate Tax

#### Section 1513 (Page 348) • Effective January 2014)

Estimated Revenue Effect: \$39 billion from 2010-2019

If an employer does not offer health coverage, and at least one employee qualifies for a health tax credit, the employer must pay an additional non-

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deductible tax of \$750 for all full-time employees. Applies to all employers with 50 or more employees.

If the employer requires a waiting period to enroll in coverage of 30-60 days, there is a \$400 tax per employee (\$600 if the period is 60 days or longer).

**Excise or “Cadillac” Tax on Comprehensive Health Insurance Plans**  
**Section 9001 (Page 1979) • Effective January 2013**  
**Estimated Revenue Effect: \$149.1 billion**

Starting in 2013, a new 40 percent excise tax on “Cadillac” health insurance plans will be levied against these plans (\$8,500 single/\$23,000 family). Higher threshold (\$9850 single/\$26,000 family) for early retirees and high-risk professions. CPI +1 percentage point indexed. Longshoremens have been exempted (page 362 of the manager’s amendment). From 2013-2015, the 17 highest-cost states are 120% of this level.

**Hike in Medicare Payroll Tax**  
**Section 9015 (Page 2040) • Effective Date: January 2013**  
**Estimated Revenue Effect: \$86.8 billion**

Current law and changes:

	First \$200,000 (\$250,000 Married) Employer/Employee	All Remaining Wages Employer/Employee
Current Law	1.45%/1.45% 2.9% self-employed	1.45%/1.45% 2.9% self-employed
Reid-Obama Hike	Tax 1.45%/1.45% 2.9% self-employed	1.45%/2.35% 3.8% self-employed

The 0.9% new rate addition is not deductible for the self-employment tax adjustment. Updated by page 372 of manager’s amendment.

### **Medicine Cabinet Tax**

**Section 9003 (Page 1997) • Effective Date: January 2011**

**Estimated Revenue Effect: \$5 billion**

Americans would no longer be able to use health savings account (HSA), flexible spending account (FSA), or health reimbursement (HRA) pre-tax dollars to purchase non-prescription, over-the-counter medicines (except insulin).

### **HSA Withdrawal Tax Hike**

**Section 9004 (Page 1998) • Effective Date: January 2011**

**Estimated Revenue Effect: \$1.3 billion**

Increases additional tax on non-medical early withdrawals from an HSA from 10 to 20 percent, disadvantaging them relative to IRAs and other tax-advantaged accounts, which remain at 10 percent.

### **Flexible Spending Account Cap – aka “Special Needs Kids Tax”**

**Section 9005 (Page 1999) • Effective Date: January 2011**

**Estimated Revenue Effect: \$14 billion**

Imposes cap on FSAs of \$2,500 (currently unlimited). This cap is indexed to inflation after 2011. This change was added on page 363 of the Manager’s Amendment.

There is one group of FSA-owners who will be especially impacted by this new cap: parents of special-needs children. There are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. ([National Child Research Center](#)) can easily exceed \$14,000 per year. Under tax rules, FSA dollars can be used to pay for this type of special needs education.

### **Tax on Medical Device Manufacturers**

**Section 9009 (Page 2020) • Effective Date: January 2010**

**Estimated Revenue Effect: \$19.2 billion**

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Medical device manufacturers employ 360,000 people in 6000 plants across the country. This bill would impose a new \$2 billion annual tax on the industry imposed relative to shares of sales made that year. Exempts items retailing for less than \$100. Rises to \$3 billion annually in 2017 (updated by page 364 of manager's amendment).

**Raise "Haircut" for Medical Itemized Deduction from 7.5% to 10% of AGI**

**Section 9013 (Page 2034) • Effective Date: January 2013**

**Estimated Revenue Effect: \$15.2 billion**

Currently, those facing high medical expenses are allowed a deduction if the total cost of the expenses reduces the filer's income by 7.5%. The new provision would impose a threshold of 10%. Waived for 65+ taxpayers in 2013-2016 only.

**Tax on Indoor Tanning Services**

**Page 373 of Manager's Amendment • Effective Date: July 1, 2010**

**Estimated Revenue Effect: \$2.7 billion**

New 10% excise tax on Americans using indoor tanning salons.

**Blue Cross/Blue Shield Tax Hike**

**Section 9016 (Page 2044) Effective Date: January 2010**

**Estimated Revenue Effect: \$400 million**

The special tax deduction in current law for Blue Cross/Blue Shield companies would only be allowed if 85 percent or more of premium revenues is spent on clinical services.

**Excise Tax on Charitable Hospitals**

**Section 9007 (Page 2001) • Effective Date: Immediate**

\$50,000 per hospital if they fail to meet new "community health assessment needs," "financial assistance," and "billing and collection" rules set by HHS (updated on page 364 of manager's amendment).

### **Tax on Innovator Drug Companies**

**Section 9008 • Effective Date: January 2010**

**Estimated Revenue Effect: \$22.2 billion**

\$2.3 billion annual tax on the industry imposed relative to share of sales made that year.

### **Tax on Health Insurers**

**Section 9010 • Effective Date: January 2011**

**Estimated Revenue Effect: \$59.6 billion**

\$10 billion annual tax on the industry imposed relative to health insurance premiums collected that year. Phases in gradually until 2017. Fully-imposed on firms with \$50 million in profits (updated on page 365 of manager's amendment).

### **Elimination of tax deduction for employer-provided retirement Prescription Drug Coverage in Coordination with Medicare Part D**

**Section 9012 • Effective Date: January 2011**

**Estimated Revenue Effect: \$5.4 Billion**

### **Salary Limit of \$500,000 for Executives of Health Insurance Companies**

**Section 9014 (Page 2035) • Effective Date: January 2013**

**Estimated Revenue Effect: \$600 million**

### **Employer Reporting of Insurance on W-2 (Preamble to taxing individuals on their health benefits)**

**Section 9002 (Page 1996) • Effective Date: January 2011**

**Corporate 1099-MISC Information Reporting**

**Section 9006 (Page 1999) • Effective Date: January 2012**

**Estimated Revenue Effect: \$17.1 billion**

Expands 1099-MISC requirements so that businesses must send tax forms to corporations (current law is limited to individuals) for all transactions in a single calendar year that, in the aggregate, exceed \$600. This reporting requirement is a huge compliance burden for small employers.



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