

Paying for *The Patient Protection and Affordable Care Act of 2010*

The 2010 health care legislation imposes numerous new taxes and mandates. By 2014, most U.S. citizens and legal residents will be required to have qualifying health care coverage or be subject to a tax penalty of up to \$695 per year. Some low and middle income individuals will receive tax credits to aid in the purchase of health insurance.

This material is intended to acquaint you with the key tax changes to which you may become subject. It combines the provisions of the **Patient Protection and Affordable Care Act** and the **Health Care and Education Reconciliation Act**, both as enacted in March, 2010.

Increase in Medicare Tax
Begins January 1, 2013

Medicare payroll tax increased from 1.45% to 2.35 % and self-employment tax increased by 0.9% for "**high income**" individuals earning more than \$200,000 and families earning more than \$250,000

New Medicare Unearned Income Contribution Tax
Begins January 1, 2013

Additional 3.8% Medicare tax on "net investment income" of "**high income**" persons.

New 3.8% Medicare tax for **trusts and estates** on the lesser of (1) all undistributed "net investment income" or (2) all adjusted gross income in excess of \$11,200. Charitable trusts are excluded.

Annual fees or excise tax on health care related companies

Annual fees on drug manufacturers (2011) and 2.3% of sales price tax on medical device manufacturers (2012).

Cadillac Health Plan Excise Tax
Begins January 1, 2014

40% excise tax on employer sponsored group plans with premiums >\$27,500 per family (10,200 per individual). Threshold will be increased with inflation.

Flexible Spending Accounts
Begins January 1, 2013

Annual limit of \$2,500 for funding of personal health care flex spending account.

Floor on Medical Expense Deduction
Begins January 1, 2013

Deduction of unreimbursed medical expenses is limited to expenses in excess of 10% of taxpayer's "adjusted gross income" (current floor is 7.5% of AGI).

Tax on tanning services
Begins July 1, 2010

10% tax on indoor tanning services.

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