

## Tax Aspects of Health Care Reform and the HIRE Act

Two significant bills have recently been signed that may affect you and/or your business. We want to provide you with a brief summary of the tax aspects related to these bills. Please contact your Ciuni & Panichi tax professional to help guide you through these changes.

### Health Care Reform Tax Provisions (Tentative, as of 3/23/10)

First, as the historic health-care bill is signed by the President, one thing is certain, all Americans and businesses will be impacted in some way by the legislation. This summary highlights only the most significant tax aspect of the new rules. It is based on both the health care legislation signed into law on Tuesday, and the House version of the reconciliation bill, currently in the hands of the Senate.



James R. Komos, CPA

#### Tax years beginning after 12/31/2010

- The penalty for non-qualifying distributions from Health Savings Accounts (HSA) and Medical Savings Accounts (MSA) increases to 20%.
- New Simple Cafeteria Plans become available for small businesses.
- Small employers may be entitled to a tax credit for up to 35% of their contributions toward the employee's health insurance premium. Small employers generally have fewer than 25 employees and average annual wages of less than \$50,000 per employee.

#### Tax years beginning after 12/31/2012

- 0.9% hospital insurance tax on earned income in excess of \$200,000 (\$250,000 if married filing jointly).
- 3.8% surtax on net investment income
  - Applies to taxpayers earning in excess of \$200,000 (\$250,000 if married filing jointly).
  - Includes interest, dividends, rents, royalties, passive business income, and gains on the disposition of property (other than a business interest).
  - Applies to individuals, estates and trusts.
- Flexible Spending Account (FSA) contributions limited to \$2,500 per year.
- Schedule A threshold for claiming medical expenses will increase from 7.5% of adjusted gross income to 10% (this provision is delayed through 2016 for individuals age 65 and older).

#### Tax years beginning after 12/31/2013

- Penalties begin to phase in on individuals who do not maintain minimal essential health care coverage. Penalties begin at the greater of \$95 per individual, or 1% of income.
- Companies with more than 50 employees will begin to be charged a fee equal to \$2,000 per employee to the extent that they do not offer health insurance coverage to their employees (first 30 employees are exempt).



CPAs and Business Advisors

A C&P Advisors Company

## Tax years beginning after 12/31/2017

- A 40% excise tax is imposed on high-cost employer sponsored health coverage. The tax is applicable to single coverage premiums greater than \$10,200, and family coverage premiums greater than \$27,500.

## The HIRE Act – Impact on Taxes

On March 18, President Obama signed a \$17.6 billion jobs package – the Hiring Incentives to Restore Employment Act (HIRE). There are two provisions in this new law that may have an immediate impact on your business.

### Section 179, the election to expense certain depreciable assets

The new law extends the enhanced Section 179 deductions through 2010. Businesses can write-off up to \$250,000 of qualified property, subject to a phase-out if a business has capital expenditures exceeding \$800,000.

### Payroll tax holiday and retention credit for employers who hire unemployed workers

Qualified employers may be entitled to a temporary payroll tax break for hiring qualified previously unemployed workers. The payroll tax credits are delivered to eligible employers through reduced Social Security taxes for the employer. To qualify, the employee must be hired after February 3, 2010 and before January 1, 2011 and have been unemployed or considered part time in the past 60 days. The payroll tax benefit can be claimed on the employer's quarterly federal employment tax returns.

Employers may also qualify for a business tax credit for retaining qualified workers for at least 52 weeks. The benefits from these two provisions can be substantial: up to \$6,621 in payroll tax credits and up to \$1,000 in business tax credits per eligible employee.

This is a very complex law, with numerous requirements and potential recapture provisions. The IRS is working on having revised forms and further details available in the next few weeks. For more information on the HIRE Act: <http://www.irs.gov/newsroom/article/0,,id=220326,00.html>

Confused? Your Ciuni & Panichi tax professional can help you navigate through these ever changing tax rules. Call us at 216.831.7171 or email [jkomos@cp-advisors.com](mailto:jkomos@cp-advisors.com).



CPAs and Business Advisors

A C&P Advisors Company