



WHAT YOU NEED TO KNOW NOW...

THE AFFORDABLE CARE ACT BECOMES REALITY

In March 2010, President Obama signed the Patient Protection and Affordable Care Act (the Affordable Care Act or ACA). While some provisions have already gone into effect, a number of new provisions are scheduled to take effect January 1, 2014. Even though there are problems with the current roll-out of the system, we thought this would be a good time to look at some of the provisions that might affect you.

Health Insurance “Marketplaces” (a.k.a. “Exchanges”) will be in place to assist low and moderate-income individuals, families, and small businesses who are eligible to receive federal subsidies or tax credits in purchasing health insurance plans.

Most Americans who can afford coverage will be required to purchase health insurance or pay a tax penalty that starts at \$95 (\$285 per family) or up to 1% of income, whichever is greater. Note that if you are already covered by your employer then you will not face a tax penalty.



Depending on which state you live in, you will have access to an Exchange administered by your state where you can compare and purchase health insurance. Four different options or “Metal Plans” (Bronze, Silver, Gold, and Platinum) will be offered. Subsidies and tax credits will be available based on age, income, and geographic location.

All health insurance plans — whether Bronze, Silver, Gold or Platinum — must have no lifetime or annual limits on coverage, and cover all pre-existing conditions.

All health insurance plans must have no lifetime or annual limits, no potential rescission of coverage, no pre-existing conditions exclusions, no excessive waiting periods for eligibility to become covered by the plan, and no cost sharing for preventive care.

The insurance market must limit deductibles for certain plans and new insurance plans must cover your children until they reach age 26. Older plans must only cover children who cannot get insurance from their employer until they are 26. The requirement to cover children under age 19 for pre-existing conditions began in 2010.

Plan providers must provide a benefits and coverage summary to participants. Plan enrollees must be allowed to select any available participating primary care provider. Premiums can be based only on limited factors. There must be an effective process for appeals from claims determinations.

Federal tax credits will be available for people who have incomes from 100% up to 400% of the poverty level (between \$11,500 and \$46,000 for a single person, and about \$24,000 to \$94,000 per year for a family of four in 2014). The tax credit will be refundable so taxpayers who have little or no income tax liability can still benefit, or the credit can be paid in advance to the taxpayer’s insurance company to help cover the cost of premiums.



AFFORDABLE CARE ACT BRINGS NEW TAXES FOR 2013

A 3.8% *surtax* will be imposed on the lesser of your net investment income for the tax year, or the amount by which your modified adjusted gross income (MAGI) exceeds the “threshold amount” for the year. The threshold for married filing jointly is \$250,000; \$125,000 for married filing separately; and \$200,000 for everyone else.

Net investment income includes interest, dividends, annuities, rents, royalties, and capital gains. Interest on tax-exempt bonds and distributions from qualified retirement plans are not included, nor is any gain excludable from income on the sale of your primary residence.

A 0.9% *Medicare surtax on Earned Income* applies to wages and self-employment income. The income thresholds are the same as the tax on net investment income, as stated above. The surtax applies only to the employee’s portion of the Medicare tax. There is no increase to the employer-paid portion, but employers are required to withhold the surtax once an employee’s wages exceed \$200,000 in a calendar year.

Be aware: If filing jointly, each spouse could earn less than the \$200,000 threshold and have no extra withholding on their wages during the year, however, if their combined wages exceed the \$250,000 threshold on their tax return, they will pay the surtax owed at tax time. However, if one spouse’s wages are over \$200,000 and the employer withholds the additional tax, but the other spouse earns less than \$50,000, then any extra surtax withheld would be credited on their tax return.



IRS TO RELEASE YOUR TAX RETURN INFORMATION

IRS regulations explain how it will release tax return information to the Department of Health and Human Services, the Exchanges, and state agencies to determine your eligibility for various health insurance programs and credits. The tax code allows the disclosure of income, filing status, number of dependents, and taxpayer identity to determine eligibility for Medicaid, CHIP or BHP programs. Income verification will also be required to determine eligibility and affordability in the Exchanges.

The tax code authorizes the disclosure of other information that would indicate if you are eligible for the premium tax credit or any cost-sharing reductions. Besides income, filing status and identity, Social Security benefits can now be disclosed to enable Exchanges to determine your modified adjusted gross income (MAGI). Providing Social Security benefits data will also help the Exchanges determine if you are eligible for the premium tax credit or any cost-sharing reductions.

***Thank You
for
Your Business***

As always, please do not hesitate to contact us with any questions or concerns you may have about any issues covered in the newsletters or any other issues important to you. Your business continues to be appreciated.

Please call us with your tax and financial questions. Steinberg Enterprises provides confidential, convenient services based on over 25 years of practical financial management and tax experience.

We are committed to improving our clients' financial well being.

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