

Affordable Care Act Highlights

We've highlighted important aspects of the Affordable Care Act. If you do have questions, please contact us.

Net Investment Income Tax

The net investment income tax went into effect in 2013. This is a 3.8% tax on investment income if your modified adjusted gross income is over the following thresholds.

Threshold Amounts:

- Married Filing Jointly - \$250,000
- Single and Head of Household - \$200,00
- Married Filing Separately - \$125,000

The following items are investment income for purposes of this tax:

- Interest
- Dividends
- Non-qualified annuities
- Rents
- Capital Gains
- Royalties, other than non-passive income
- Passive activity income
- Distributions in excess of basis

Additional Medicare Tax on Wages and Self-Employment Income

This tax went into effect starting in 2013. This is a .9% tax on wages and self-employment income only. The same income threshold amounts apply to this tax as to the Net investment income tax. Employers will withhold this amount if an employee makes over the threshold, but some taxpayers will meet the threshold through multiple wage sources. In this case, it won't be withheld from their wages, but paid with the tax return.

Individual Health Insurance Mandate

Individuals must purchase health insurance effective in 2014 or be subject to a penalty on their tax return. For 2015, the penalty was the greater of 2% of applicable household income or \$325 per adult and \$162.50 per child (up to \$975 for a family). The penalty increases each year. The penalty amount cannot exceed the cost of a bronze health insurance plan purchased through the health exchange. For 2015, the monthly national average bronze plan was \$207 per individual or \$1,035 for a family with five or more members. The person claiming the child as a dependent will be responsible for paying the child's penalty.

**There are several exceptions to the penalty.*

Health Insurance prices will be determined by 4 factors

1. Age
2. Premium ratings (high/low cost areas)
3. Number of family members
4. Tobacco use

Premium Assistance Credit

This is a refundable credit available to help with health insurance costs based on income level. Insurance must be purchased through the government exchange to be eligible. May be eligible if employer coverage is unaffordable (if self-only coverage cost exceeds 9.5% of household income)

Income Qualifications for 2015 – Used for Cost Assistance for Enrollment thru 1/31/16

- Single people qualify if their income is \$47,080 or less
- Families of two qualify if their income is \$63,720 or less
- Families of four qualify if their income is \$97,000 or less

Employer-Offered Health Insurance Mandate

Businesses with more than 50 full-time equivalent employees that don't offer health insurance coverage or whose coverage is not considered affordable will have to pay penalties starting in 2015. Thirty (30) hours per week is considered full-time employment for this purpose. Part-time workers' hours are figured into the calculation to determine if you have 50 full-time equivalent employees.

Penalties

- **Penalty for no coverage:** Will be assessed if a business does not offer the minimum essential insurance to at least 95% of full-time employees, including dependents. The penalty is not calculated on the first 30 employees, after that you pay \$2,000 per employee.
- **Penalty for Unaffordable Coverage:** The business offers health insurance coverage, but at least 1 employee qualifies for premium assistance credit. (Discussed in Individual Mandate above). The penalty is the **LESSER** of \$3,000 per employee receiving premium assistance OR \$2,000 per employee (not counting the first 30 employees).

Small Business Health Options Program available through Healthcare.gov

All employers who qualify as a Small Business can use the exchange to purchase employee health insurance. For 2015, the SHOP Marketplace is open to employers with 50 or fewer full-time equivalent employees (FTEs). By 2016 those with 100 or fewer FTE can use the SHOP. The advantages of using SHOP include:

- **You control the coverage** you offer and how much you pay toward employee premiums.
- You can **compare** health plans online on an apples-to-apples basis, which helps you make a decision that's right for your business.
- **You may qualify for a small business health care tax credit worth up to 50% of your premium costs.** Employers must provide at least 50% of premium costs to be eligible for the credit. To claim your credit, you must file Form 8941, Credit for Small Employer Health Insurance Premiums with your annual tax filing. Beginning 2015 the tax credit is only available to plans purchased through SHOP.
- **You can still deduct** from your taxes the rest of your premium costs not covered by the tax credit.

For further information, here are the contacts:

www.healthcare.gov

Individuals: 800.318.2596

Business: 800.706.7893