

## THE 6 MOST IMPORTANT CHANGES UNDER HEALTHCARE REFORM THAT MATTER TO YOU

1. **Changes Definition of “Dependent” for Exclusion of Amounts Received Under Health Insurance Plan:** The definition of “dependent” for the purposes of IRC §§105(b), 162(l)(1), 401(H) 501(c)(9) was changed so that the taxpayer may now deduct expenses for medical care of a child under the age of 27.
2. **Create a Medicare Tax on Investment Income:** Individuals, estates, and trusts, are now subject to a new tax on investment income to pay for Medicare. The tax is equal to:
  - Individuals: 3.8% of (i) the smaller of the individual’s net investment income or (ii) the individual’s adjusted gross income that exceeds \$200,000 for individuals, \$250,000 for joint return and surviving spouse filers, and \$125,000 for married taxpayers filing separately; and
  - Estates and Trusts: 3.8% of (i) the smaller of undistributed net investment income or (ii) adjusted gross income over the amount at which the highest trust and estate tax bracket begins.
3. **Impose Excise Tax on High-Cost Employer Plans:** High-cost employer plans are subject to an excise tax on health insurance that exceeds a set amount: \$10,200 for individuals and \$27,500 for families (in 2018). The excise tax is 40% of the threshold amount multiplied by a ‘health cost adjustment percentage’ and adjusted for the ‘age and gender excess premium amount.’ The legislation defines both the ‘health cost adjustment percentage’ and the ‘age and gender excess premium amount.’ There are exceptions to the limitation for certain professionals.
4. **Require Employers to Disclose on Form W-2 the Value of the Employee’s Health Insurance Coverage Sponsored by the Employer:** Employers are required to disclose on Form W-2 the aggregate value of the health insurance coverage that the employer provides to the employee for tax years beginning after December 31, 2010. This excludes contributions to flexible spending arrangements.
5. **Create a Small Business and Non-profit Tax Credit:** The legislation provides for an additional amount to cover the premium cost of health insurance coverage. Small businesses with 25 or fewer employees (with an average annual wage of less than \$40,000), may be eligible for a credit up to 50% of non-elective contributions for insurance premiums. Small businesses with 10 or fewer employees and an average annual wage of less than \$20,000 may be eligible for a 100% credit. Non-profits may be eligible for a 35% credit against payroll taxes.
6. **Penalize Employers Lacking Coverage:** Large employers that lack health care coverage for all full-time employees, or offer only minimum essential coverage that is unaffordable, or offer only a minimum essential coverage under a plan that covers 60% or less of the costs, may be subject to a penalty under the new law. If any full-time employee certifies to the employer as having purchased health insurance via a state exchange for which a tax credit or cost-sharing reduction is allowed or paid to the employer, the employer is subject to the penalty. The penalty applies only to large employers, those employers that employ an average of 50 or more employees during the preceding calendar year.