

SUMMARY OF NEW TAXES IMPOSED BY THE PASSAGE OF THE AFFORDABLE CARE ACT

Taxes that took effect in 2010:

1. Excise Tax on Charitable Hospitals

(Min\$/immediate): \$50,000 per hospital if they fail to meet new "community health assessment needs," "financial assistance," and "billing and collection" rules set by HHS. Bill: PPACA; Page: 1,961-1,971.

2. Codification of the "economic substance doctrine"

(Tax hike of \$4.5 billion). This provision allows the IRS to disallow completely-legal tax deductions and other legal tax-minimizing plans just because the IRS deems that the action lacks "substance" and is merely intended to reduce taxes owed. Bill: Reconciliation Act; Page: 108-113.

3. "Black liquor" tax hike (Tax hike of \$23.6 billion).

This is a tax increase on a type of bio-fuel. Bill: Reconciliation Act; Page: 105.

4. Tax on Innovator Drug Companies (\$22.2 bil/Jan 2010):

\$2.3 billion annual tax on the industry imposed relative to share of sales made that year. Bill: PPACA; Page: 1,971-1,980.

5. Blue Cross/Blue Shield Tax Hike (\$0.4 bil/Jan 2010):

The special tax deduction in current law for Blue Cross/Blue Shield companies would only be allowed if 85 percent or more of premium revenues are spent on clinical services. Bill: PPACA; Page: 2,004.

6. Tax on Indoor Tanning Services (\$2.7 billion/July 1, 2010):

New 10 percent excise tax on Americans using indoor tanning salons. Bill: PPACA; Page: 2,397-2,399.

Taxes that took effect in 2011:

7. Medicine Cabinet Tax (\$5 bil/Jan 2011):

Americans no longer able to use health savings account (HSA), flexible spending account (FSA), or health reimbursement (HRA) pre-tax dollars to purchase non-prescription, over-the-counter medicines (except insulin). Bill: PPACA; Page: 1,957-1,959.

8. HSA Withdrawal Tax Hike (\$1.4 bil/Jan 2011):

Increases additional tax on non-medical early withdrawals from an HSA from 10 to 20 percent, disadvantaging them relative to IRAs and other tax-advantaged accounts, which remain at 10 percent. Bill: PPACA; Page: 1,959.

Taxes that took effect in 2012:

9. Employer Reporting of Insurance on W-2 (Min\$/Jan 2012):

Preamble to taxing health benefits on individual tax returns. Bill: PPACA; Page: 1,957.

Taxes that take effect in 2013:

10. Surtax on Investment Income (\$123 billion/Jan. 2013):

Creation of a new, 3.8 percent surtax on investment income earned in households making at least \$250,000 (\$200,000 single). This would result in the following top tax rates on investment income: Bill: Reconciliation Act; Page: 87-93.

	Capital Gains	Dividends	Other*
2012	15%	15%	35%
2013+	23.8%	43.4%	43.4%

*Other unearned income includes (for surtax purposes) gross income from interest, annuities, royalties, net rents, and passive income in partnerships and Subchapter-S corporations. It does not include municipal bond interest or life insurance proceeds, since those do not add to gross income. It does not include active trade or business income, fair market value sales of ownership in pass-through entities, or distributions from retirement plans. The 3.8% surtax does not apply to non-resident aliens.

11. Hike in Medicare Payroll Tax (\$86.8 bil/Jan 2013):

Current law and changes:

	First \$200,000 (\$250,000 Married) Employer/Employee	All Remaining Wages Employer/Employee
Current Law	1.45%/1.45% 2.9% self-employed	1.45%/1.45% 2.9% self-employed
Obamacare Tax Hike	1.45%/1.45% 2.9% self-employed	1.45%/2.35% 3.8% self-employed

Bill: PPACA, Reconciliation Act; Page: 2000-2003; 87-93

12. Tax on Medical Device Manufacturers (\$20 bil/Jan 2013):

Medical device manufacturers employ 360,000 people in 6000 plants across the country. This law imposes a new 2.3% excise tax. Exempts items retailing for <\$100. Bill: PPACA; Page: 1,980-1,986

13. Raise "Haircut" for Medical Itemized Deduction from 7.5% to 10% of AGI (\$15.2 bil/Jan 2013):

Currently, those facing high medical expenses are allowed a deduction for medical expenses to the extent that those expenses exceed 7.5 percent of adjusted gross income (AGI). The new provision imposes a threshold of 10 percent of AGI. Waived for 65+ taxpayers in 2013-2016 only. Bill: PPACA; Page: 1,994-1,995



SUMMARY OF NEW TAXES IMPOSED BY THE PASSAGE OF THE AFFORDABLE CARE ACT

14. Flexible Spending Account Cap – aka “Special Needs Kids Tax” (\$13 bil/Jan 2013): Imposes cap on FSAs of \$2500 (now unlimited). Indexed to inflation after 2013. There is one group of FSA owners for whom this new cap will be particularly cruel and onerous: parents of special needs children. There are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. (National Child Research Center) can easily exceed \$14,000 per year. Under tax rules, FSA dollars can be used to pay for this type of special needs education. Bill: PPACA; Page: 2,388-2,389

15. Elimination of tax deduction for employer-provided retirement Rx drug coverage in coordination with Medicare Part D (\$4.5 bil/Jan 2013) Bill: PPACA; Page: 1,994

16. \$500,000 Annual Executive Compensation Limit for Health Insurance Executives (\$0.6 bil/Jan 2013). Bill: PPACA; Page: 1,995-2,000

Taxes that take effect in 2014:

17. Individual Mandate Excise Tax (Jan 2014): Starting in 2014, anyone not buying “qualifying” health insurance must pay an income surtax according to the higher of the following

	1 Adult	2 Adults	3+ Adults
2014	1% AGI/\$95	1% AGI/\$190	1% AGI/\$285
2015	2% AGI/\$325	2% AGI/\$650	2% AGI/\$975
2016 +	2.5% AGI/\$695	2.5% AGI/\$1390	2.5% AGI/\$2085

Exemptions for religious objectors, undocumented immigrants, prisoners, those earning less than the poverty line, members of Indian tribes, and hardship cases (determined by HHS). Bill: PPACA; Page: 317-337

18. Employer Mandate Tax (Jan 2014): If an employer does not offer health coverage, and at least one employee qualifies for a health tax credit, the employer must pay an additional non-deductible tax of \$2000 for all full-time employees. Applies to all employers with 50 or more employees. If any employee actually receives coverage through the exchange, the penalty on the employer for that employee rises to \$3000. If the employer requires a waiting period to enroll in coverage of 30-60 days, there is a \$400 tax per employee (\$600 if the period is 60 days or longer). Bill: PPACA; Page: 345-346

Combined score of individual and employer mandate tax penalty: \$65 billion/10 years

19. Tax on Health Insurers (\$60.1 bil/Jan 2014): Annual tax on the industry imposed relative to health insurance premiums collected that year. Phases in gradually until 2018. Fully-imposed on firms with \$50 million in profits. Bill: PPACA; Page: 1,986-1,993

Taxes that take effect in 2018:

20. Excise Tax on Comprehensive Health Insurance Plans (\$32 bil/Jan 2018): Starting in 2018, new 40 percent excise tax on “Cadillac” health insurance plans (\$10,200 single/\$27,500 family). Higher threshold (\$11,500 single/\$29,450 family) for early retirees and high-risk professions. CPI +1 percentage point indexed. Bill: PPACA; Page: 1,941-1,956