Affordable Care Act Changes Affecting Individuals

THE MANDATE

Effective: In 2012 with full phase-in of penalty by 2016

Requires: U.S. citizens and legal residents to maintain “minimum essential health coverage” for themselves and their dependents

Exceptions: Specified faiths with religious conscience exemption
Cost of coverage exceeds 8% of household income
Income below the federal poverty level (“FPL”)
Income below the threshold to file an income tax return
Native American tribal members
Individuals in prison
Undocumented aliens
Coverage gaps of less than 3 months

Penalty Amount: Greater of –

Fixed Sum*	Percent of Income	Year
$ 95	1%	2014
$435	2%	2015
$695	2.5%	2016

* This is per person but capped for a family at 300% of the per person amount.

NOTE: Regardless of the formula, the tax cannot exceed the national average premium for bronze level qualified health plans offered through the State Exchanges.

ADDITIONAL MEDICARE TAX ON WAGES

Effective: 2013

Amount: Additional 0.9% Medicare tax on wages > $200,000 for individuals and
> $250,000 for married couples filing jointly

NEW MEDICARE TAX ON INVESTMENT INCOME

Effective: 2013

Amount: 3.8% tax on net investment income of single taxpayers with >$200,000 adjusted gross income and married filing jointly with > $250,000 adjusted gross income.

NOTE: Individuals who are material participants in a trade or business may qualify for an exception. Business owners should consult with their tax advisors regarding how these rules may apply.

REFUNDABLE TAX CREDIT FOR COST OF HEALTH COVERAGE PURCHASED ON STATE EXCHANGE

Effective: 2014

Applies to: Individuals and families with earnings up to 400% of the federal poverty limit.

How Determined: Credit structured to reduce tax by an amount designed to limit premium cost of coverage to a percent of income on a sliding scale starting at 2% of income at 133% of FPL and increasing in tiers to 9.5% of income at 300% – 400% of FPL.

COST SHARING SUBSIDIES

Effective: 2014

Concept: To limit cost-sharing exposure of low income people.

Applies to: Health coverage purchased through an exchange.

Scale:

FPL Income	% of Cost Paid by Plan Plus Federal Subsidy
100% – 150%	94%
150% – 200%	87%
200% – 250%	73%
250% – 400%	70%

LIMIT ON DEDUCTIBLE MEDICAL EXPENSES

Effective: 2013

Change in Threshold: The threshold for deduction increases from 7.5% to 10% of adjusted gross income.

LIMIT ON FLEXIBLE SPENDING ACCOUNT CONTRIBUTIONS

Effective: 2013

Change in Limit: Individuals will only be permitted to contribute up to $2,500 to their employer's FSA for use in paying medical expenses.

W-2 REPORTING

Effective: 2012

Change: Individuals will see on the W-2 provided to them in 2013 for their 2012 salary and payroll deduction items a new information only item for the cost to their employer of the individual's (and dependents) coverage under the employer's group health plans.

MEDICAID EXPANSION: See article *Medicaid Expansion After U.S. Supreme Court Ruling.*

These are not all the upcoming items impacting individuals and several of the ACA provisions benefitting individuals, such as ability to continue coverage for adult children through age 26, are already in effect. If you have questions or concerns regarding how ACA affects your tax situation or your access to and cost of coverage or the scope of coverage available to you, feel free to contact us.