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House of Representatives Passes Healthcare Legislation

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Steven Kaplan is a principal who specializes in the development and implementation of sophisticated estate and income tax planning techniques. Steve oversees and is regularly involved in numerous corporate, individual, fiduciary, and estate planning tax matters of varying complexity on behalf of clients. Using his accounting and legal backgrounds he helps our clients mitigate their tax burdens through sound advice and ideas.

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Late Sunday, the House of Representatives passed two pieces of legislation, one of which was signed into law on Tuesday, that would impact most employers and virtually all taxpayers.

The 2000-plus pages of complex legislation contain massive tax increases and penalty provisions designed to pay for the costs of the healthcare provisions. Highlights are below:

Penalty for remaining uninsured.

After December 31, 2013, taxpayers would have to maintain minimum coverage or pay a penalty.

Employer responsibilities.

After December 31, 2013, an employer that employs at least 50 full-time employees and does not offer health insurance coverage would have to pay a penalty.

Excise tax on high-cost employer-sponsored health coverage.

After December 31, 2017, the bill would place a 40% nondeductible excise tax on insurance companies for any health coverage plan to the extent that the annual premium exceeds $10,200 for single coverage and $27,500 for family coverage.

New employer reporting responsibilities.

After December 31, 2010, employers would have to disclose the value of the benefit for insurance coverage on the employee's W-2.

Additional hospital insurance tax (HI) for high-

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wage workers.

After December 31, 2012, the HI tax rate would be increased by 0.9 percentage points on an individual taxpayer earning over $200,000 ($250,000 for married couples filing jointly); these figures are not indexed. The current rate is 1.45%.

Surtax on unearned income.

After December 31, 2010, a 3.8% surtax would be placed on net investment income of a taxpayer earning over $200,000 ($250,000 for a joint return). Net investment income would be interest, dividends, royalties, rents, gross income from a trade or business involving passive activities, and net gain from disposition of property (other than property held in a trade or business).

Limit on health FSA contributions.

After December 31, 2012, contributions to health flexible spending accounts would be limited to $2,500 per year.

Increased tax on nonqualifying HSA or Archer MSA distributions.

After December 31, 2010, the additional tax for HSA withdrawals would be increased from 10% to 20% and for Archer MSA withdrawals would be increased from 15% to 20%. This applies to withdrawals for nonqualified medical expenses.

Modified threshold for claiming medical itemized deductions.

After December 31, 2012, the threshold for claiming an itemized deduction for medical expenses would be increased from 7.5% to 10% for those under age 65.

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