

# **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.

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**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.