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THE POTENTIAL TAX EFFECTS OF THE AMERICAN HEALTH CARE PLAN

115th Congress - 1st Session - H.R. 1628

It is important as business leaders and owners across the country that we understand some of the tax effects of the proposed legislation known as the American Health Care Act (AHCA). The bill has been passed by the House on May 4th, 2017. It will likely not be enacted by the Senate in its current form unless there is a shift in the views of elected officials on health care policy. This type of legislation goes substantially beyond providing adequate health care across the country and has far reaching tax implications. With that said, we do not take a position on the bill, but we are taking this opportunity to share with everyone what we know about the effect on taxes this bill could have, if enacted.

As of May 8th, 2017, the Senate has implied they are going to write an entirely different bill¹. Many senators are up for reelection next year and if the reaction to the House bill is any indicator of how the public will react, they will most likely create something different.

Individual and Employer Penalties - Under the Patient Protection and Affordable Care Act (commonly referred to as the ACA or Obamacare) there is a requirement for individuals to be insured under a health insurance contract². That is the law of the land right now. Employers are also under obligation if they have 50 or

more employees to provide them with affordable health insurance³. Under the AHCA, these obligations would be dropped and the requirement/penalty would be unapplied retroactively to January 1, 2016.

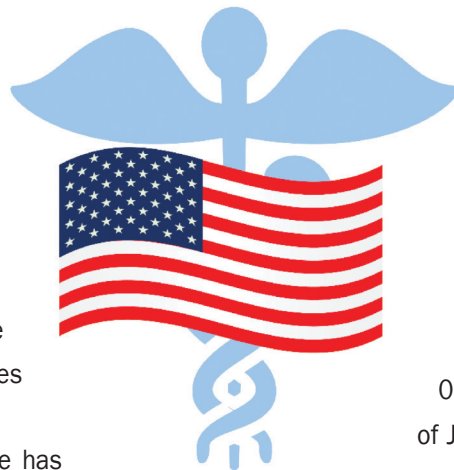
Net Investment Income Tax (NIIT) - This 3.8% tax applies to capital gains and other investment gains if the taxpayer has an income of over \$250,000. Under

the new bill, this tax would no longer apply⁴. The policy position is to encourage investment. It is likely that further reduction will happen in the capital gains tax as well. This would become effective January 1, 2018.

Additional Medicare Tax - Similar in nature to the NIIT, this is a 0.9% tax, it would also be repealed as of January 1, 2018⁵.

Excise Tax on High Dollar Health Plans - These plans are plans that exceed \$10,800 for individuals and \$29,500 for families. The tax would be paid by the insurers themselves, not the individuals. It was not due to be in place until 2020, under the AHCA that would be delayed until 2025.

Medicaid - The Medicaid expansion has been repealed⁶. Medicaid will only be available under limited circumstances. The circumstances include where a family is under 100% of the poverty level. Under the ACA, the level is 138% of poverty.



Medical Device Excise Tax - A tax was supposed to go into effect January 1, 2016 for qualified medical equipment. The tax is 2.5% and is now delayed until after the 2017 tax year. The AHCA would repeal the tax entirely⁷. While there is plenty of thought on it, the Medical Device Excise Tax may never make it into effect because it is so unpopular, nobody wants it.


Excise Tax on Tanning Services - This is a 10% tax on tanning services. What's interesting is that the number of excise tax filers did not go up as expected. In fact, the IRS was expecting at least 500,000 new excise tax filers, yet only 20% of that ever materialized. The bill repeals the tax⁸.

Health Insurance Provider Fee - This is a fee imposed on health insurance providers, but has been delayed until 2018. The AHCA repeals this fee⁹.

It is also important to note that the current state of the AHCA would allow separate pooling of those with preexisting conditions. Under an amendment an

exemption was in place for Congress regarding this, but that has been closed.

Conclusion

This information is current as of May 8th, 2017. However, if it were to be enacted, it is important to know these proposed revisions, and any changes that may be made. It is apparent that regardless of how the current health care law is modified, it is going to have a tax impact on individuals and businesses across the U.S. The Center routinely advises on these matters, as well as business succession and valuations of companies. If you have questions, please call us at 618-997-3436. 

¹ www.cbsnews.com/videos/senate-to-craft-its-own-health-care-bill/

² H.R. 1682 115-52 Section 205

³ H.R. 1682 115-52 Section 206

⁴ H.R. 1682 115-52 Section 251

⁵ H.R. 1682 115-52 Section 214

⁶ H.R. 1682 115-52 Section 111-112

⁷ H.R. 1682 115-52 Section 211

⁸ H.R. 1682 115-52 Section 231

⁹ H.R. 1682 115-52 Section 241