



# LOUIS T. ROTH & Co.

CERTIFIED PUBLIC ACCOUNTANTS  
*A Professional Limited Liability Company*

## **Subject: Highlights of Key Tax Implications of the Healthcare Reform Legislation**

Dear clients,

Healthcare reform legislation has been signed into law by President Obama. As your trusted advisor, Louis T. Roth & Co. has taken a proactive approach to help you understand the tax implications of the healthcare reform, as it could have a significant effect on you, your organization and your employees. We have provided the below summary of some of the key tax-related effects you may feel in the coming months and years:

### **Individual responsibility**

Sec. 1002: Effective January 1, 2014, all Americans will be required to maintain health insurance. Those without insurance coverage will be subject to an annual tax penalty, starting at \$95 or 1% of their income (whichever is greater) and rising to \$695 or 2.5% of their income (again, whichever is greater) in 2016.

### **Employer responsibility**

Sec. 1003: Effective January 1, 2014, companies with at least 50 employees will be required to provide health insurance benefits to full-time employees. Companies that fail to do so will be subject to a tax of \$2,000 per employee per year.

### **High-cost plan excise tax**

Sec. 1401: Effective January 1, 2018, insurance companies of employers who provide high-cost health plans will be subject to an excise tax. The applicable tax is on the cost of coverage in excess of \$27,500 for families and \$10,200 for individuals, as well as \$30,950 (families) and \$11,850 (individuals) for retirees and employees in high-risk professions.

### **Unearned income Medicare contribution**

Sec. 1402: Effective January 1, 2013, a Medicare tax will be assessed on investment income for families with adjusted gross incomes of more than \$250,000 and individuals with more than \$200,000. Investment income includes: interest, dividends, royalties, rents, gross income from a trade or business involving passive activities and net gain from disposition of property.

### **Excise tax on medical device manufacturers**

Sec. 1405: Effective January 1, 2013, sales of medical devices will be subject to a 2.9% excise tax. Exempted from the tax are: eye glasses, contact lenses, hearing aids and any device (as specified by the Secretary of the Treasury) generally purchased by the public at retail for individual use.

### **Health insurance providers**

Sec. 1406: Effective January 1, 2014, health insurance companies will be subject to an \$8 billion annual excise tax. The tax will increase to \$11.3 billion annually for 2015, 2016 and 2017. Beginning in 2018 the tax will increase to \$14.3 billion.

**Modification of itemized deduction for medical expenses**

Sec. 9013: Effective January 1, 2013, individuals who qualify to deduct medical-related expenses from their income taxes may only claim their itemized deductions for expenses exceeding 10% of their adjusted gross income. The threshold is currently 7.5%.

**Excise tax on indoor tanning services**

Sec. 10907: Effective July 1, 2010, tanning salon customers will be assessed a sales tax of 10%. This tax is in lieu of the previously proposed tax on cosmetic surgery.

We hope you have found this summary to be useful as you consider how this healthcare reform will impact both your physical and financial health. If you have any questions or concerns regarding the implications highlighted above, please do not hesitate to contact the Louis T. Roth tax professionals at (502)459-8100. Until then, please accept our best wishes for continued success.

Sincerely,

*Louis T. Roth & Co., PLLC*