Obama Signs Health Care Reform Bill

WASHINGTON, D.C. (MARCH 23, 2010)
President Obama signed historic legislation reforming health care insurance, providing tax credits to individuals and small businesses to help them buy insurance through state-based exchanges.

“Today, after almost a century of trial, after over a year of effort, today after all the votes have been tallied, health insurance reform becomes law in the United States of America, today,” he said.

The $940 billion bill aims to provide 32 million uninsured people with access to health insurance. It would stop health insurance companies from refusing coverage to people with pre-existing conditions or dropping sick people from coverage. Insurance companies would not be able to impose annual limits or lifetime limits on people’s insurance coverage. The bill would also allow parents to keep their children on their health insurance policies until the age of 26 and close the so-called “donut hole” on prescription drug coverage for senior citizens.

The bill contains an excise tax on high-value insurance plans, as well as “industry fees” on various health-related industries, including medical device makers and health insurers. It includes a Medicare surtax of 0.9 percent on wages and 3.8 percent on investment income for individuals with adjusted gross incomes over $200,000, and $250,000 for couples.

Except for seniors, the bill raises the threshold for the itemized medical deduction from 7.5 percent of adjusted gross income to 10 percent. Beginning in 2013, the bill would limit contributions to tax-advantaged flexible spending accounts for health expenses. CCH has published a **Special Tax Briefing** on the legislation.

In 2011 through 2013, eligible employers would be able to qualify for a tax credit of up to 35 percent of their contribution toward an employee’s health insurance, CCH noted. In 2014 and beyond, eligible employers who purchase coverage through a state exchange could qualify for a credit for two years of up to 50 percent of their contribution.

Qualified tax-exempt employers would be eligible for a reduced credit. Employers with 10 or fewer employees and average annual wages of less than $20,000 would be eligible for the full credit.

Qualified small businesses would be able to purchase insurance for their employees through state-based Web portals. The insurance exchanges would allow small businesses to pool together to spread their financial risk.

“This year we’ll start offering tax credits to about 4 million small businesses to help them cover their employees,” said Obama.

The bill, as amended by the House Reconciliation Act, which the Senate has not yet passed, would impose a 40 percent nonrefundable excise tax on group insurers if annual premium payments

The bill also imposes a 10 percent tax on indoor tanning services provided on or after July 1, 2010.

Republicans have vowed to try to repeal the bill, and several state attorneys general have said they would sue to prevent the individual mandate from being applied to citizens in their states.

The bill imposes a nondeductible penalty of $95 per person who lacks minimum essential coverage in 2014. The penalty would rise to $325 per person without coverage in 2015, then to $695 per person in 2016 and would be indexed for inflation thereafter.

Employers that do not provide minimum essential coverage would also be subject to a tax, CCH noted. The penalty would equal the product of the applicable payment amount (with respect to any month, 1/12 of $2,000) and the number of full-time employees employed by the employer during that month.

The penalty would apply to employers with 50 or more workers but would subtract the first 30 workers from the payment calculation. Businesses with fewer than 50 employees would be exempt from any employer responsibility.