

CLIENT MEMO: How will health care reform affect you and your taxes?

It's massive, and it's complicated. At more than 2,400 pages, the *Affordable Care Act* (ACA for short) has left businesses and individuals confused about what the law contains and how it affects them.

The aim of the law is to provide affordable, quality health care for all Americans. To reach that goal, the law requires large companies to provide health insurance for their employees starting in 2015, and uninsured individuals must get their own health insurance starting in 2014. Those who fail to do so face penalties.

Insurance companies must also deal with new requirements. For example, they cannot refuse coverage due to pre-existing conditions, preventive services must be covered with no out-of-pocket costs, young adults can stay on parents' policies through age 26, and lifetime dollar limits on health benefits are not permitted.

The law mandates health insurance coverage, but not every business or individual will be affected by this requirement. Here's an overview of who will be affected.

FOR BUSINESSES – It's all in the numbers

- **Fewer than 50 employees**

Companies with fewer than 50 employees are encouraged to provide insurance for their employees, but there are no penalties for failing to do so. A special marketplace will be available for businesses with 50 or fewer employees, allowing them to buy health insurance through the Small Business Health Options Program (SHOP).

- **Fewer than 25 employees**

Small companies that pay at least 50% of the health insurance premiums for their employees may be eligible for a tax credit for as much as 35% of the cost of the premiums. To qualify, the business must employ fewer than 25 full-time people with average wages of less than \$50,000. For 2014, the maximum credit increases to 50% of the premiums the company pays, though to qualify for the credit, the insurance must be purchased through SHOP.

- **50 or more employees**

For companies with 50 or more full-time employees, the requirement to provide "affordable, minimum essential coverage" to employees has been delayed for one year and is not required until 2015. Originally, employers had been required to file information returns that reported details about the health insurance they provided, with penalties to apply if the insurance did not meet standards. Companies complained that they needed more time to meet the reporting obligations, and in response the IRS made the reporting requirement optional for 2014. Without the reporting, the IRS could not determine penalties, so the penalties also were postponed for a year.