

NOTE: If you will be shopping for health insurance on the Marketplace, be aware that there's no need to rush to enroll; the enrollment period runs from October 1, 2013, through March 31, 2014. Take the time you need to review your options and select what's best for you and your family.

MORE ABOUT THE LAW AND YOUR TAXES

In addition to the penalties required by the *Affordable Care Act*, the law made other tax changes that could affect you. Among them are the following:

- Annual contributions to flexible spending accounts are limited to \$2,500 (indexed for inflation).
- The 7.5% adjusted gross income threshold for deducting unreimbursed medical expenses increases to 10% for those under age 65. Those 65 and older can use the 7.5% threshold through 2016.
- The additional tax on nonqualified distributions from health savings accounts (HSAs) is 20%, an increase from the previous 10% penalty.
- The payroll Medicare tax increases from 1.45% of wages and self-employment income to 2.35% on amounts above \$200,000 earned by individuals and above \$250,000 earned by married couples filing joint returns. This rate increase applies only to the employee portion, not to the employer portion.
- A 3.8% Medicare surtax is imposed on unearned income (examples: interest, dividends, capital gains) for single taxpayers with income over \$200,000 and married couples with income over \$250,000.

The *Affordable Care Act* may be one of the most complicated and confusing laws ever passed, but one thing is very clear: the law will affect the taxes of most Americans. In order to manage your tax bill, you will have to factor the new health care rules into your overall personal and business tax planning. For guidance, contact our office.

To begin checking out your state's exchange (Marketplace), start at www.healthcare.gov – the federal government's website on the *Affordable Care Act*.

NOTE: This Memo is intended to provide you with an informative summary of the tax issues connected with the *Affordable Care Act*. This massive package of legislation contains varying effective dates, definitions, limitations, and exceptions that cannot be summarized easily. For details and guidance in applying the tax provisions of this law to your situation, seek professional assistance.