Congressman Michael C. Burgess, M.D., Chairman

Health Care Caucus Policy Forum: Exploring the Side Effects of The Patient Protection and Affordable Care Act (PPACA) on Business

Tax Credits are Not a Cure-All for Small Businesses (2010)

- The small business tax credit included in PPACA will do little to help most employers purchase more insurance.
- Since this credit is very restrictive, early estimates of 4 million businesses being eligible will, in actuality, be much lower. Businesses must qualify under complicated "tests" to determine the amount of credit they will receive or if they will receive one at all.
- This is only a temporary tax credit and is set to expire after a maximum of 6 years, ultimately imposing future health care costs on employers after its expiration.

Tax Increases (2013)

- Increase in the Medicare payroll tax to 2.35 percent. However, the additional revenue is used to pay for provisions of PPACA, and not kept in the Medicare program specifically to pay for insurance policies of those under the Medicare age.
- A new Medicare tax on wages and self-employment incomes over $200,000 for individuals ($250,000 for joint filers), which is predicted to impact 25 percent of the American workforce.

Increase in the Amount of Paperwork as seen in Filing 1099s (2012)

- Under the new "corporate reporting" requirements, all businesses will have to send a Form 1099 for all business transactions of $600 or more.
- This is estimated to cost, on average, $74 an hour to complete. The cost of tax compliance is 66 percent higher for small businesses compared to larger businesses.

Employer Mandates (2014)

- Number of employees is calculated by adding all employees who work more than 30 hours a week, to the number of "full-time equivalent" workers (to calculate: add all the hours worked by part-time employees and divide by 120).
- If there are less than 50 employees: No penalty
- If there are more than 50 employees and employer **does not** offer insurance, with one or more employees receiving premium subsidies: Penalty is $2000 per full time employee (minus the first 30 employees).
- Three levels to consider if an employer **does** provide insurance and has an employee with income less than 400 percent of federal poverty level (FPL). 400 percent of 2010 FPL is $43,320.
    1. If an employer covers 60% of the cost of the plan and the employee spends less than 8% of his income, then no penalty is assessed.
    2. If the plan is qualified but costs the employee between 8% and 9.8% of their income, the employer must provide a voucher to be used to in an Exchange equal to what the employer would have paid towards coverage.
    3. If the plan exceeds 9.8% of their income and the employee qualifies for an Exchange subsidy the employer is subject to a $3000 fine per subsided employee or the penalty for not providing insurance at all, whichever is less.

For more information, visit http://www.healthcaucus.org

To watch video from the event, visit http://health.burgess.house.gov/Blog/?postid=181463

Please Contact Rebekah West for additional questions at Rebekah.West@mail.house.gov