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April 22, 2010

Subject: Strategic Law Group's "NEWSLETTER SPECIAL EDITION"

HEALTH CARE REFORM LAW BRINGS WAVE OF NEW TAXES – PROPOSED BUDGET BRINGS TSUNAMI

The Health Care Reform Law Is Loaded with New Taxes for You

Health Care Reform became law in March 2010 with the "Patient Protection and Affordable Care Act" and "The Health Care and Education Reconciliation Act of 2010." The law obviously contains profound changes to America's health care system which are the subject of much debate. What you may not be fully aware of is this new law contains voluminous tax increases and financial penalty regimes. As tax lawyers we feel it prudent to make you aware of these tax increases which are substantial and burdensome (and the first of many more proposed tax increases to come). The tax increases are phased in over the next several years and unfold as follows:

2010 Tax Year

IRS expected to hire 16,500 new IRS Agents to enforce the civil penalty and collection of the penalty. IRS is currently seeking between \$ 5 Billion and \$ 10 Billion in additional budget monies to enforce new tax laws in the health care law according to IRS Commissioner. "Economic Substance Doctrine" requires all transactions to meet two pronged test or trigger a strict liability penalty of 20% or 40%.
10% excise tax on tanning salons.

2011 Tax Year

20% penalty on ineligible health care expenses paid for out of Health Savings Accounts.
Over-the-counter medicine no longer reimbursable by health plans (FSA's, HRA's, HAS's, MSA's,).

2012 Tax Year

Form 1099's will now be issued to corporations as well as individuals who are paid over \$600 for goods or services.

2013 Tax Year

Increase of Medicare Tax on earned income from 1.45% to 2.35% for all earnings above \$200,000 for single persons and \$250,000 for married couples (W-2 or self employed).
A new 3.8% Medicare Tax on all unearned income for those with earnings above \$200,000 for single persons and \$250,000 for married couples.
A new 2.3% Excise Tax on all sales of medical devices.
Increase from 7.5% to 10% for the floor on deductible medical expenses on all individuals (except seniors 65 and over until 2016).
\$2,500 cap imposed on flexible spending account pre-tax savings for medical expenses.

2014 Tax Year

Civil Penalties imposed for failure to carry health insurance (starting at \$285 and increasing to \$2,085 by 2016).
Employers not offering health insurance coverage for all full time employees, or offering inadequate health insurance coverage will be subject to financial penalties.

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2018 Tax Year

40% Excise Tax on "Cadillac Insurance Plans" - if an employer provides health coverage to an employee, and the value of that coverage – including any portions the employee pays – exceeds \$10,200 (for individual coverage) or \$27,500 (for family coverage) there is a 40% excise tax imposed on the excess.

The items listed are the highlights of the new tax legislation, tax increases and penalty regimes that were part of the recently passed massive Health Care Reform law. Those tax changes are not associated with the general tax law proposals and budgets for the coming year. Those, are far worse...

White House Proposed Budget for Fiscal Year 2011 Includes \$2 Trillion In New Taxes

The White House prepares and publishes in February each year a Proposed Budget for the coming fiscal year. This budget has historically been printed with a green cover and has infamously become labeled the "Green Book." The Obama Administration published the fiscal year 2011 proposed budget in February and their proposals include \$2 Trillion dollars in new taxes. This is readily available on the White House website for all to view. The highlights are as follows:

<u>TAX INCREASES</u>	<u>BILLIONS</u>
Bank "Responsibility Fee"	\$90
Repeal LIFO Accounting Inventories	\$59.1
Reform International Tax System	\$122.2
Taxes on Oil and Gas	\$36.5
Tax Carried Interest as Normal Income	\$24
Make Unemployment Surtax Permanent	\$14.2
Reduce Tax Gap i.e. Increase Collections	\$49.4
Increase Income Taxes to 36% and 39.6%	\$379.7
Limit Personal Exemptions & Deductions	\$208.5
Raise Capital Gains Taxes to 20%	\$105.4
Cut Off Itemized Deductions for those in 28% Bracket and Up	\$291.2

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