

TEX LETTER

New Taxes and Healthcare Reform

Dear clients and friends

The following list of taxes are New Taxes included in the healthcare reform Bills, if passed, would be effective immediately, but the real Health Care part of the Bills may need to wait for 5 years to start. This phenomenon could be referred to as the “Denial Syndrome” of Washington D.C.

(I) Affecting Individuals directly:

An income surtax on taxpayers earning more than \$500,000 a year,
An excise tax on medical devices such as wheelchairs, breast pumps, and syringes used by diabetics for insulin injections,
A cap on the non taxable employer-paid health insurance,
A limit or repeal of the itemized deduction for medical expenses
A limit on itemized deductions for taxpayers with a top income tax rate greater than 28 %,
On top of current reduction due to AGI level above \$ 159,950 (2008),
A limited definition of what is “Qualified Medical Expense”,
An increase in the Medicare portion of the payroll tax to 3.4 % for incomes great than \$200,000 a year (\$250,000 for married filers),
An excise tax on sugar-sweetened beverages including non-diet soda and sports drinks,
A higher taxes on alcoholic beverages including beer, wine, and spirits,
A tax on individuals without acceptable health care coverage of up to 2.5 percent of their modified adjusted gross income (MAGI),
A limit on contributions to health savings accounts (HAS),
A limit on contributions to flexible spending arrangements (FSA),
An increase in the payroll taxes on students,
An extension of the Medicare payroll tax to all state and local government employees,
An increase in the estate tax, and
A 5 percent tax on cosmetic surgery and similar procedures such as Botox treatments, face lifts, etc.,

(II) Affecting Businesses directly and could or could not be passed thru to individuals:

Additional fees on insured and self-insured health plans,
An increase in taxes on international businesses,
A value-added tax (VAT) which is tax added to the value of a product at each stage of production process,
A tax on drug companies,

A windfall profits tax on health insurance companies,
An increase in taxes on hospitals (what happen to non-profit hospitals ?),
An elimination of deduction for expenses associated with Medicare Part D subsidies,
An excise tax on high-cost "Cadillac" health insurance plans that cost more than \$8,500 a year for individuals or \$21,000 for families,
An 8 % tax on all wages by employers who do not provide employee health insurance meeting the requirements defined by the Secretary of Health and Human Services,
An increase in the corporate income tax on providers of health insurance, and
A \$500,000 deductible limit for the compensation paid by health insurance companies to their officers, employees, and directors.

The above listings may or may not be complete. Any one or all of them may or may not be enacted into law. However, the above list represents an attempt to outline as much as possible from the reading and understanding of these gigantic healthcare reform bills (together more than 4,000 pages).

Any questions please contact us at 415-381-0681. For any other information, please visit our web site at chochan.com.

Sincerely,

CHO F CHAN CPA, INC.