

RIA's Complete Analysis of the Tax and Benefits Provisions of the 2010 Health Care Act as Amended by the 2010 Health Care Reconciliation Act

Tax Changes Relating to Universal Health Coverage Mandate

Penalty for remaining uninsured. For tax years beginning after Dec. 31, 2013, non-exempt U.S. citizens and legal residents will have to maintain minimum essential coverage or pay a penalty.

Those failing to maintain minimum essential coverage in 2016 will be subject to a penalty equal to the greater of: (1) 2.5% of household income over the threshold amount of income required for income tax return filing, or (2) \$695 per uninsured adult in the household. The fee for an uninsured individual under age 18 will be one-half of the fee for an adult. The total household penalty won't exceed 300% of the per adult penalty (\$2,085), nor exceed the national average annual premium for the "bronze level" health plan offered through the Insurance Exchange that year for the household size.

The per adult annual penalty will be phased in as follows: \$95 for 2014; \$325 for 2015; and \$695 in 2016. For years after 2016, the \$695 amount will be indexed to CPI-U, rounded to the next lowest \$50. The percentage of income will be phased in as follows: 1% for 2014; 2% in 2015; and 2.5% beginning after 2015. If a taxpayer files a joint return, the individual and spouse will be jointly liable for any penalty payment. The penalty, which will apply to any period the individual does not maintain minimum essential coverage (determined monthly) will be assessed through the Code.

Among those individuals who will be exempted from the penalty: Individuals who cannot afford coverage because their required contribution for employer sponsored coverage or the lowest cost "bronze plan" in the local Insurance Exchange exceeds 8% of household income; those who are exempted for religious reasons; and those residing outside of the U.S. (Code Sec. 5000A , as added by 2010 Health Care Act Sec. 1501, as amended by 2010 Health Care Act Sec. 10106, and as further amended by 2010 Reconciliation Act Sec. 1002). For analysis, see ¶302 .

Low-income tax credits for participating in health exchanges.. For tax years ending after 2013, tax credits will be available for individuals and families with incomes up to 400% of the federal poverty level (\$43,320 for an individual or \$88,200 for a family of four) that are not eligible for Medicaid, employer sponsored insurance, or other acceptable coverage. These individuals and families will have to obtain health care coverage in newly established Insurance Exchanges in order to obtain credits (New Code Sec. 36B , 2010 Health Care Act Sec. 1401, 1411 and 1412, as amended by 2010 Health Care Act Secs. 10104, 10105, and 1017, and as further amended by 2010 Reconciliation Act Sec. 1001). For analysis, see ¶202 .A "cost-sharing subsidy" will be provided to low income individuals to help with health insurance costs. (2010 Health Care Act Secs. 1402, 1411, and 1412, as amended by 2010 Health Care Act Sec. 10104, and further amended by 2010 Reconciliation Act Sec. 1001). For analysis, see ¶206 .