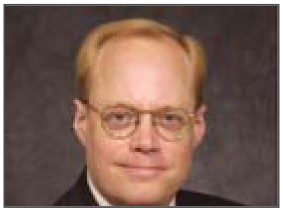

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Forget 'Keep Your Plan' And The Website, Obamacare Taxes Are Worse

Barack Obama signing the Patient Protection and Affordable Care Act at the White House (Photo credit: Wikipedia)

There is no shortage of complaints about the Affordable Care Act, the unfortunately named massive health-care law still roiling the nation. Embarrassing website issues and keep-your-doctor-keep-your-plan backtracking have occupied center stage. Add to that a kind of Hunger Games, the system's voracious need to sign up young people to offset the cost for others. Come on down, say the advertisements.

It must be underscored that this isn't only the President's law. Congress passed it, and it is hard to get past the naming ironies so prevalent in Washington. Taxes and fees abound, and when it comes out of your pocket, it matters little whether a tax or fee label is applied. In 2014, Americans must dig deeper for the health care they need in ways that don't meet the eye.

As with many tax laws–and on many fundamental levels, the Affordable Care Act is a *tax* law–determining exactly where the tax burden falls isn't always clear. One of the new taxes funds the Patient-Centered Outcomes Research

Institute (PCORI). (I wish this institute included “affordable” for it makes a better acronym.) This 2% levy on health plans is expected to collect a cool $8 billion this year alone.

By 2018, annual receipts from the little 2% climb to $14.3 billion. Over a decade, it reaps *over $100 billion*. Here comes the zinger. Self-insured employers (public companies and 4 of every 5 employers with over 500 employees) don’t have to pay it, according to IRS rules. Oh, but the health plans pay it, right?

That is the Obama administration’s official position. In fact, though, as is plainly no surprise, the insurers pass it along to those who pay the premiums. And that means small employers and people who buy their own insurance have to pay. This is one of the worst features of the new law.

The little guy–small business and the self-employed–have to pay. Kaiser Health News said the new taxes end up on customer bills. One customer’s bill went up by $23.14 a month, or $277.68 annually, for the tax. It meant the person’s monthly premium rose from $322.26 to $345.40.

More taxes? Sure, come on down. A $2 fee per policy too, also earmarked for the Patient Centered Outcomes Research Institute. Insurers also pay a 3.5% user fee to sell medical plans on the HealthCare.gov site. American taxpayers must also pay a 2.3% medical-device tax. There is no doubt where the burden of this tax falls. It will inflate the cost of pacemakers, prosthetic limbs, stents, and more.

That isn’t the end of the higher taxes. Income and payroll taxes go up to fuel the enormous machinery that Obamacare has become. When you pay medical expenses out-of-pocket you should get an income-tax deduction. Americans may be used to deducting medical expenses that exceed 7.5% of their annual income. But now they must eat another 2.5%. The threshold jumps to 10% under the Affordable Care Act. That costs taxpayers about $15 billion over 10 years.

Then there’s the new Medicare tax. Under the Affordable Care Act, individual tax filers earning more than $200,000 and families earning more than $250,000 pay a 0.9% Medicare surtax on top of the existing 1.45% Medicare payroll tax. Then to cap off all this good news, they pay an extra 3.8% Medicare tax on unearned income, such as investment dividends, rental income and capital gains. If you sold your house in 2012, you paid a maximum 15% federal capital gain tax on profits above $250,000 per individual or $500,000 per couple. Now, depending on your income level, you may pay as much as 23.8% on gains above that level.

Welcome. Come on down.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.