

Obamacare: Ready or not, it's here

Ralph Lizardo for *Progressive Dairyman*

The Affordable Care Act, which is better known as Obamacare, was signed into law on March 23, 2010, and was upheld by the Supreme Court on June 28, 2012. Over the last year or so, I have heard arguments from proponents and adversaries of Obamacare. Both sides have compelling arguments. However, regardless of who is right and wrong, the most controversial requirement of Obamacare will take effect January 1, 2014.

Obamacare's main goal is to provide affordable health insurance coverage to any legal U.S. resident and to reduce health care costs. It is not replacing private insurance companies, Medicaid or Medicare but rather is meant to work in conjunction with these entities and programs.

A major component of Obamacare is to require employers, regardless of whether or not they offer health-care coverage, to provide all their employees with a health insurance exchange notice no later than October 1, 2013.

As a business owner, hopefully you have complied with this requirement.

The purpose of the notification is to inform employees about the new health insurance exchanges and subsidies that will be available to individuals effective January 1, 2014, and to provide information about the employer's current medical insurance offerings to employees.

The open enrollment period for the state and federal health insurance exchanges began October 1, 2013. The new exchanges will offer a place for individuals and small business to compare and select coverage options via an online marketplace.

Why are the notices so important? These notices are very important because starting January 1, 2014, all individuals must have medical coverage or pay a penalty.

Another controversial requirement of Obamacare is the employer mandate. Employers are required to provide available health insurance coverage for their

employees, and their dependents, or pay a penalty. Employers can breathe a sigh of relief, for now, because this requirement was delayed to take effect until January 1, 2015. Although this requirement has been delayed until 2015, the IRS "strongly encourages" employers to voluntarily implement this requirement in 2014 in hope of a smoother transition to full implementation in 2015.

The employer mandate is much more complicated than the individual mandate. Let me explain. Employers are broken down into two categories: small and large employers. The main difference is the number of full-time employees and full-time employee equivalents you have. That magic number is 50. Full-time employees are the ones who work at least 30 hours per week. What does full-time employee equivalents mean? In a nutshell, if you have two part-time employees working 15 hours per week each, these two individuals will be considered as one full-time employee.

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Obamacare doesn't apply to small employers with less than 50 full-time employees. After reading that sentence, you're probably thinking of various ways to get below 50 full-time employees. Short of letting employees go, which could actually hurt productivity, the government has already included provisions on what employers can and can't do. For example, if you have multiple entities with common control, or common ownership, it will be viewed as one entity in determining the 50-employee rule.

The calculation of the penalty, fine or tax, whichever you want to call it, is somewhat complicated. For individuals, it will be based on your income level, but there will be a maximum. For businesses, it will be based on the number of employees up to \$3,000 per employee.

With the increasing deficit that the nation is facing today, where is all the money coming from to fund Obamacare? Many of you might not be aware, but the Affordable Care Act consists of various tax hikes that American families and small businesses will be, or have already been, faced with. Proponents of Obamacare estimated that these new tax hikes will generate approximately \$770 billion over the next 10 years, which started in 2010. Adversaries estimated that this is closer to the \$1 trillion mark. In either case, these funds have to come from somewhere.

Let's discuss the two new tax hikes that will generate the most tax revenue: the 3.8 percent surtax on investment income and the .9 percent surtax on Medicare taxes. These two new tax hikes are expected to generate approximately \$318 billion to fund Obamacare.

Individuals with annual income higher than \$200,000 and couples with annual income higher than \$250,000 are the ones that will be subject to these two new surtaxes. Individuals and couples who have unearned income such as interest, dividend and capital gains, but excluding business-related capital gains, will be taxed an additional 3.8 percent on such income. In addition, employees are already paying 1.45 percent in Medicare taxes regardless of how much they make. However, anything in excess of the income threshold, an additional .9 percent, will be withheld from their paycheck.

Regardless of which side of the fence you are on regarding Obamacare, one thing is certain: Obamacare is here and formidable. **PD**