

New Health Care Law: Small-business Aspects

The new health care reform package—including the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Reconciliation Act of 2010—will have a long-lasting impact on businesses, both large and small, and individuals. This summary of the main implications is divided into two parts: the first for small-business owners and the second for individual taxpayers.

Employer coverage: An employer with 50 or more employees is required to provide at least minimal essential coverage to eligible employees under the “pay or play” rules. Otherwise, the employer may be assessed a tax penalty based on a calculation of \$2,000 per year for every full-time employee (excluding the first 30 employees). Effective date: January 1, 2014.

Small-business credits: A small business may use a special credit to partially offset the cost of employer-provided coverage. This tax break is available to a business with no more than 25 employees and average annual wages of less than \$50,000 per employee. The full credit can be claimed by employers with 10 or fewer employees and average annual wages of no more than \$25,000. Effective date: January 1, 2010.

Free-choice vouchers: Employers offering minimum essential coverage must provide qualified low-income employees with a “free-choice voucher” to enroll in a state-operated exchange. The voucher amount effectively equals the cost of coverage to the employer. Other coverage subsidies are available to low-income workers. Effective date: January 1, 2014.

Automatic enrollment: An employer with more than 200 employees must automatically enroll full-time employees in its health plan. However, an eligible employee may elect to refuse coverage. Effective date: Upon issuance of new regulations.

Retiree coverage: An employer may implement a temporary reinsurance program for retirees who are over age 55 and not eligible for Medicare. Effective date: June 23, 2010 (to be terminated January 1, 2014).

State exchanges: A qualified business with no more than 100 employees will be able to shop for coverage via a state-operated Small Business Health Options Program (SHOP). Effective date: January 1, 2014. Note: After 2016, states may permit larger businesses to purchase coverage through the SHOP.

Plan restrictions: A group plan can no longer place lifetime dollar limits on coverage. Coverage for adult children generally is extended until they reach age 26. A plan cannot have preexisting medical condition exclusions for children younger than age 19. Coverage cannot be rescinded except for fraud. Other requirements will apply to new plans. Effective date: October 1, 2010. After 2013, plans cannot have preexisting condition exclusions for adults age 19 and older or annual limits on the dollar value of employer-provided coverage.

Information reporting: A business must report the value of employer-provided health insurance coverage on each employee’s W-2 form. Effective date: January 1, 2011. After

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2013, employers will be required to separately report the value of an employee's health insurance to the federal government.

1099 Forms: Currently, a business is required to issue a Form 1099-MISC to report various payments to individuals. This requirement is being expanded to include gross payments of \$600 or more to both corporate and noncorporate recipients for both payments and services. Effective date: January 1, 2012.

This is only a general overview of several key provisions affecting small-business owners. Guidance for specific situations is recommended.