



What Obama Care Will Cost You In 2013?

Beginning January 1 2013, there will be a number of changes to the law that could result in higher taxes for 2013.

1. There will be a limit on flexible spending accounts (FSA) accounts. Currently employers set their own caps on how much employees can contribute to these plans that let them use pretax money to pay for health care expenses. For 2013, the government will enforce a \$2,500 limit per employee.
2. A new Medicare surtax on investment income. Until now Medicare taxes have only applied to earned income. For 2013 taxpayers with wages and self-employed income above \$200,000 for single individuals and \$250,000 for married couples filing jointly will pay a 3.8% surtax on the lower of:
 - A. Their net investment income-which includes interest, dividends, capital gains, passive activities and other amounts.
 - B. The amount of their modified adjusted gross income that is greater than \$200,000 for single tax payers and \$250,000 for married filing joint taxpayer.
3. An additional Medicare tax on wages and self-employed income for some. The existing Medicare payroll tax of 2.9% (of which 1.45% is paid by a taxpayer through payroll deductions) will be increased by .9% on wages of self-employed income that exceeds \$200,000 for single tax payers, qualifying head of household and widow(er) filers and married couples filing jointly over \$250,000.
4. There will be a higher hurdle for deduction medical expenses. Currently, out-of-pocket medical costs are only deductible to the extent they exceed 7.5% of your adjusted gross income. For 2013 that hurdle will rise to 10%. If you are 65 or older, that threshold remains at 7.5% through 2016.

What Can You Do

Here is some preventive medicine of the financial kind you may consider.

1. Schedule medical procedures in 2012 if you can; before the higher threshold for deduction hits in 2013.
2. Continue contribution to your FSA account up to the maximum amount even though the maximum is now lower.
3. If you are eligible, contribute to a (Health Savings Account) HSA account.
4. If you'll be hit by the new 3.8% surtax on investment income, consider making some portfolio changes. If you have capital gains that you have the option of realizing either in 2013 or 2012, you should take them in 2012. You might also consider shifting some of your income

investments to tax-exempt bonds and taking full advantage of your employer's retirement plan.

5. Consider obtaining long-term care insurance realizing that long term coverage gets more expensive the longer you wait.
6. If you are already on Medicare you might consider additional coverage with a Medicare supplement policy. This can help with your out-of-pocket costs.
7. Under the new Obama Care health law if your household income for the taxable year is between 100% and 400% of the federal poverty level and you are not eligible for or offered other acceptable coverage, you may be eligible for health insurance premium tax credits that will reduce your out-of-pocket costs.
8. You must have health insurance. It is mandatory. If you can afford to buy health insurance, but choose not to, you are subject to a penalty that is phased in over the next three years. Starting in 2014 the penalty will be the greater of \$285 per family or 1% of taxable income. This penalty has been projected to rise to between \$12,000 and \$12,500 per family by the year 2016.
9. The new Obama care rules allow health insurance companies to vary rates based on age, family size, participation in a health promotion program and tobacco use. So stop smoking and start a health promotion program. You'll save money and be healthier.
10. Each state will now offer an online shopping exchange where consumers can shop for standardized plans.
11. Businesses employing over 50 full time employees (there are rules to calculate that number where there are part time employees) that do not provide health insurance coverage for their employees will pay a penalty of \$2000 per employee (excluding the first 30 employees). This penalty is triggered if just one employee is eligible for federal premium subsidies.

Other Issues

1. You may no longer purchase over the counter medicine from HSA and FSA accounts.
2. The penalty for nonqualified withdrawals from HSAs is now 20%.
3. Insurance companies can no longer deny coverage to children younger than 19 with pre-existing positions.
4. Children may remain on their parent's insurance plans until their 26th birthday.
5. If the employer makes a mistake on your application for insurance and your insurance is canceled the insurance company can no longer retroactively cancel your coverage.
6. Insurance companies can no longer impose lifetime dollar limits on benefits.
7. Finally for you tanning people, there is a 10% surcharge on tanning parlors that is typically passed on to you by the tanning parlor.

Now you have a thumb nail sketch of the Obama Care health plan. You'll have to read the 2,700 pages of the plan to see all of the ins and outs that are covered.