

2010 Legislation

How will it affect you?

What's new?

- Hiring Incentives to Restore Employment Act
- Health Care Reform Package
 - Patient Protection and Affordable Care Act, as amended by the...
 - Health Care & Education Reconciliation Act

Hiring Incentives to Restore Employment Act

- HIRE Act
- Enacted on March 18, 2010
- Payroll Tax Holiday
- New Hire Retention Credit
- Section 179

Hiring Incentives to Restore Employment Act

- **Payroll Tax Holiday**

- Relief for *employer* share of Social Security 6.2% tax on wages of qualified employees
- Qualified employee
 - Began employment with employer after 2/3/2010
 - Has not worked more than 40 hours in total during the 60-day period prior to new employment
 - Signed affidavit
- Relief for wages paid from 3/19/10 through 12/31/10
- Does not apply to household employers
- For more information:
 - <http://www.irs.gov/businesses/small/article/0,,id=220748,00.html>

Hiring Incentives to Restore Employment Act

- **New Hire Retention Credit**
 - Available for tax years ending after 3/18/2010
 - Qualified employee under the “payroll tax holiday”
 - Employees must be retained for at least 52 consecutive weeks
 - Credit is lesser of
 - 6.2 percent of wages paid to the qualified employee over the 52 week period
 - \$1,000
 - Claimed on 2011 tax return

Hiring Incentives to Restore Employment Act

- **Section 179 expensing**
 - Can expense \$250,000 of qualifying property in year of purchase if total qualifying purchases do not exceed \$800,000
 - Qualifying purchases made 1/1/10-12/31/2010
 - Off the shelf computer software included
 - Available for new and used property
 - Bonus depreciation not extended

Health Care Reform Package

- Patient Protection & Affordable Care Act enacted on March 23, 2010
- Amended by the Health Care & Education Reconciliation Act enacted on March 30, 2010
- Intent is to provide quality, affordable health care to all Americans
- Implementation timeline spans 2010 through 2018
- New taxes and penalties, tax incentives and exchanges

Health Care Reform Package

- Starting in 2010...
 - Small Business Tax Credit - 25 employees or less can receive a 35% tax credit on the cost of providing health insurance for employees – subject to a number of restrictions
 - Employer provided health coverage gross income exclusion extended to children under age 27
 - Eliminates health insurance plans from including pre-existing condition exclusions for children (for everyone starting in 2014)
 - 10% tax on indoor tanning services provided starting on or after 7/1/2010
 - Adoption credit \$13,170, is now refundable and extended through 2011

Health Care Reform Package

- **Starting in 2011...**
 - Employer must disclose the cost of providing group health insurance to the employee on W-2
 - Health flexible savings arrangements (FSA) will be limited to prescription medication – OTC drugs will qualify now only if prescribed
 - Additional tax on nonqualified HSA distributions increased to 20%
 - Certain small business cafeteria plans qualify as “simple” plan

Health Care Reform Package

- Starting in 2013...
 - Additional .9% Medicare tax for individuals on earned income over \$200,000 (\$250,000 MFJ)
 - Additional 3.8% in Medicare tax on net investment income for individuals whose AGI is over \$200,000 (\$250,000 MFJ), net investment income for this purpose includes interest, dividends, rents and other passive income; includes estates and trusts
 - Itemized medical expense deduction floor for some is raised for regular tax purposes from 7.5% to 10%; excludes 65+ older through 12/31/2016
 - \$2,500 cap on FSA covered expenses

Health Care Reform Package

- Starting in 2014...
 - Employers with 50+ employees generally will be required to provide a minimum level of health insurance for their employees or pay a penalty per employee
 - Most individuals will be required to obtain health insurance or be subject to a penalty tax equal to the greater of \$95 or 1% of income, \$325 or 2% in 2014, \$695 or 2.5% in 2016
 - Tax credits to subsidize the cost of health insurance premiums available to individuals earning up to 400% of the poverty level
 - State exchanges to help people afford standardized health coverage through assistance credits, cost-sharing or free choice vouchers

Health Care Reform Package

- Starting in 2018...
 - 40% excise tax on high-cost insurance paid by insurance companies or plan administrators

Health Care Reform Package

Small Business Tax Credit - 2010

- No more than 25 full time eligible employees
- Average annual wages of \$50,000 or less per eligible employee
- Employer must contribute at least 50% of the cost of health insurance premiums based on the single rate
- Taxable (for profit) and tax-exempt firms qualify
- Maximum 35% credit of the cost in 2010 - 2013
- Credit increases to 50% (35% for tax-exempt employers) in 2014
- The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and with the equivalent of 10 and 25 full-time workers
- Does your business qualify? Follow 3 simple steps...

Health Care Reform Package

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

<p>1 Determine the total number of your employees (not counting owners or family members):</p> <p>Full-time employees: _____ (enter the number of employees who work at least 40 hours per week)</p> <p style="text-align: center;">+</p> <p>Full-time equivalent of part-time employees: _____ (Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)</p> <p>= <input type="text"/> total employees</p> <p>If the total number of employees is fewer than 25 GO TO STEP 2</p>	<p>2 Calculate the average annual wages of employees (not counting owners or family members):</p> <p>Take the total annual wages paid to employees: _____</p> <p style="text-align: center;">÷</p> <p>Divide it by the number of employees from STEP 1: _____ (total wages ÷ number of employees)</p> <p>= <input type="text"/> average wages</p> <p>If the result is less than \$50,000, AND</p>
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3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

» you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at **IRS.gov**

In a nutshell...

- Two major pieces of legislation enacted early 2010 that will most likely impact every American in some way
 - HIRE Act
 - Health Care Reform Package
- Contact LFL Veritas at 201-833-2266 to speak with an advisor about how this legislation will personally and professionally impact you!