

FEDERAL HEALTH CARE BILL SUMMARY

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This information is supplied by the [Peace Officers Research Association of California \(PORAC\)](#), who received it from our federal lobbying firm, [Patton Boggs](#) located in Washington DC.

Changes to Medicare Tax

**** Senate-Passed H.R. 3590** -- Would increase the Medicare payroll tax in 2013 from 1.45% to 2.35% for individuals with wages of more than \$200,000 and \$250,000 for joint filers (\$86.8 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate, but would also place a 3.8% tax on investment income for the same higher-income group. Also not indexed to inflation (\$210.2 billion for both taxes)

Cadillac Tax

**** Senate-Passed H.R. 3590** -- Starting in 2013, would impose a 40% nondeductible excise tax on health insurers offering high-cost insurance plans of more than \$8,500 for individuals and \$23,000 for families, indexed to the Consumer Price Index for urban consumers (CPI-U) plus 1% point; would provide a three-year transition period for 17 high-cost states as well as higher-cost thresholds for non-Medicare retirees older than 55 and those with high-risk jobs (would raise \$148.9 billion over 10 years)

**** House Reconciliation Bill (H.R. 4872)** -- Would move start date to 2018 and raise threshold levels to \$10,200 for individuals and \$27,500 for families. Also would not include dental and vision benefits and would provide mechanism to take into account gender and age of workforce. After 2020 thresholds would be indexed to general inflation (would raise \$32 billion over 10 years)

'Black Liquor'

**** Senate-Passed H.R. 3590** -- Not Included

**** House Reconciliation Bill (H.R. 4872)** -- Would add provision to disqualify unprocessed fuels, including so-called black liquor, from the section 40(b) cellulosic biofuel credit starting in 2010 (\$23.6 billion)

Industry Fees and Taxes

**** Senate-Passed H.R. 3590** -- Would impose billions in yearly nondeductible fees on manufacturers and importers of pharmaceuticals beginning in 2010, on manufacturers and importers of medical devices beginning in 2011, and on health insurance providers beginning in 2011 (\$101 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Would also impose billions in fees on pharmaceuticals and health insurers, but would levy a 2.9% excise tax on medical device makers on sales made after 2012. Eyeglasses, hearing aids, contact lenses, and other items "generally purchased by the general public at retail for individual use" would be excluded (\$20 billion)

Corporate Information Reporting Requirements

**** Senate-Passed H.R. 3590** -- Beginning in 2012, would require firms that make payments of more than \$600 to any corporation providing property or services to file a report with the IRS and with the provider (\$17.1 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate

Corporate Estimated Tax Payments

**** Senate-Passed H.R. 3590** -- Not included

**** House Reconciliation Bill (H.R. 4872)** -- Would add provision to increase the corporate estimated tax payments for firms owing at least \$1 billion in payments due in July, August, and September 2014 by 14.5% points (\$8.1 billion)

Tanning Services

**** Senate-Passed H.R. 3590** -- Would levy a 10% excise tax on individuals using tanning services beginning July 1, 2010 (\$2.7 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate

Medical Expenses Deduction

**** Senate-Passed H.R. 3590** -- Beginning in 2013, would increase the floor for deductible medical expenses from 7.5% of adjusted gross income to 10% of AGI and provide a carveout for those older than age 65 (\$15.2 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate

Flexible Spending Arrangement (FSA) Caps

**** Senate-Passed H.R. 3590** -- Beginning in 2011, would cap contributions to FSAs at \$2,500 and index that amount to the CPI-U after 2011 (\$13.3 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate but with an effective date of 2013 (\$13 billion)

Definition of Medical Expenses

**** Senate-Passed H.R. 3590** -- Beginning in 2011, would conform the definition of medical expenses for FSAs, health savings accounts, Archer medical savings accounts, and health reimbursement arrangements and exempt over-the-counter medications prescribed by a doctor (\$5 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate

Nonqualified HSA Distributions

**** Senate-Passed H.R. 3590** -- Would increase the tax penalty for nonqualified HSA distributions from 10% to 20% beginning in 2011 (\$1.3 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate (now scored at \$1.4 billion)

Medicare D Subsidy

**** Senate-Passed H.R. 3590** -- Would end the deduction for Medicare Part D subsidy expenses beginning in 2011 (\$5.4 billion)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate, now with an effective date of 2013 (\$4.5 billion)

Executive Compensation Deduction

**** Senate-Passed H.R. 3590** -- Would cap at \$500,000 the amount of executive compensation that a health insurance company can deduct, starting in 2013 (\$600 million)

**** House Reconciliation Bill (H.R. 4872)** -- Same as Senate

Economic Substance Doctrine

**** Senate-Passed H.R. 3590 --** Not included

**** House Reconciliation Bill (H.R. 4872) --** Adds codification of the economic substance doctrine (\$4.5 billion)

Research Trust Fund

**** Senate-Passed H.R. 3590 --** Would establish a patient-centered outcomes research trust fund, financed with \$2.6 billion in fees on insurers and self-insured healthcare plans ending after September 30, 2012, and before September 30, 2019

**** House Reconciliation Bill (H.R. 4872) --** Same as Senate

Adoption Credit

**** Senate-Passed H.R. 3590 --** Would extend the adoption credit until 2011 and make it refundable (\$1.2 billion)

**** House Reconciliation Bill (H.R. 4872) --** Same as Senate

Therapeutic Discovery Credit

**** Senate-Passed H.R. 3590 --** Would create a tax credit for "qualified therapeutic discovery projects" paid for in 2009 or 2010; sunsets December 31, 2010 (\$900 million)

**** House Reconciliation Bill (H.R. 4872) --** Same as Senate

Source: Tax Analysts