



Barn Report

A Dairy Keeper Resource

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Affordable Care Act Enacted

The Affordable Care Act was enacted on March 23, 2010. It contains some tax provisions that became effective in 2010 or 2011, and more that will be implemented during the next several years. The following is a list of provisions now in effect; additional information will be added to this page as it becomes available.

Health Insurance Premium Tax Credit

Starting in 2014, individuals, and families can take a new premium tax credit to help them afford health insurance coverage purchased through an Affordable Insurance Exchange. Exchanges will operate in every state and the District of Columbia. The premium tax credit is refundable so taxpayers who have little or no income tax liability can still benefit. The credit also can be paid in advance to a taxpayer's insurance company to help cover the cost of premiums. On Aug. 12, 2011, the IRS issued **proposed regulations** that describe who will be eligible to receive the premium tax credit and how to compute the credit. The proposed regulations also describe how to reconcile any advance credit payments for health benefits purchased through an Exchange with the final credit amount. The proposed regulations provide numerous examples, solicit written comments, and provide a notice of public hearing. Comments must be submitted by Oct. 31, 2011.

The **portion of the law** that will allow eligible individuals to use tax credits to purchase health coverage through an Exchange is not effective until 2014.

Exchanges will offer individuals a choice of health plans that meet certain benefit and cost standards. The Department of Health and Human Services (HHS) administers the requirements for the Exchanges and the health plans they offer. Additional information about the Exchange can be found at www.healthcare.gov.

Small Business Health Care Tax Credit

This new credit helps small businesses and small tax-exempt organizations afford the cost of covering their employees and are specifically targeted for those with low- and moderate-income workers. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees. Learn more by browsing our page on the **Small Business Health Care Tax Credit for Small Employers** and our **news release**.

Changes to Flexible Spending Arrangements

Effective Jan. 1, 2011, the cost of an over-the-counter medicine or drug cannot be reimbursed from Flexible Spending Arrangements or health reimbursement arrangements unless a prescription is obtained. The change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays, and deductibles. The new standard applies only to purchases made on or after Jan. 1, 2011, so claims for medicines or drugs purchased without a prescription in 2010 can still be reimbursed in 2011, if allowed by the employer's plan. A similar rule goes into effect on Jan. 1, 2011 for Health Savings Accounts (HSAs), and Archer Medical Savings Accounts (Archer MSAs). Employers and employees should take these changes into account as they make health benefit decisions for 2011.

For more information, see news release **IR-2010-95**, **Notice 2010-59**, **Revenue Ruling 2010-23** and our **questions and answers**.

FSA and HRA participants can continue using debit cards to buy prescribed over-the-counter medicines, if requirements are met. For more information, see news release **IR-2010-128** and **Notice 2011-5**.

IRS partners can spread the word to their clients with the help of a **Health Plan Changes flyer** and a drop-in article; **does your Healthcare Program need a checkup?**

Health Coverage for Older Children

Health coverage for an employee's children under 27 years of age is now generally tax-free to the employee. This expanded health care tax benefit applies to various work place and retiree health plans. These changes immediately allow employers with cafeteria plans — plans that allow employees to choose from a menu of tax-free benefit options and cash or taxable benefits — to permit employees to begin making pre-tax contributions to pay for this expanded benefit. This also applies to self-employed individuals who qualify for the self-

employed health insurance deduction on their federal income tax return. Learn more by reading our **news release** or this **notice**.

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