

THE TAX PICTURE

How The Affordable Care Act Affects Your Tax Return

(NAPSA)—In addition to significant health insurance changes, the Patient Protection and Affordable Care Act of 2010 included tax law changes. Several of those changes will impact 2013 federal tax returns, due April 15, 2014.

“Online tax preparation solutions like TaxACT will cover all the tax implications of the Affordable Care Act plus hundreds of other tax law changes,” said TaxACT spokesperson Jessi Dolmage. “All you have to do is answer simple questions. The program does the math and completes the tax forms for you.”

The tax law changes in the health care act, also known as “Obamacare,” for 2013 returns include:

- Reporting health insurance premiums, flexible spending beyond payroll deductions and other premiums paid by employees and their employers. “Simply enter the amount in Box 12 with Code DD on your Form W-2 when prompted by the tax program,” said Dolmage. “You’re providing information only; it won’t change your taxable income.”

- Higher threshold for deducting medical expenses. The threshold for itemizing medical expenses increases to 10 percent of your adjusted gross income (AGI). The threshold for taxpayers age 65 and older remains at 7.5 percent. Tax software will calculate the deduction based on medical expenses entered.

- 3.8 percent tax on net investment income. Individuals and heads of household with an AGI of \$200,000+, married couples filing separately with an AGI of \$125,000+, and couples filing jointly with an AGI of \$250,000+ must pay the tax. Answer a few questions about investment income and your tax program will do the rest.

- Additional 0.9 percent Medicare tax on wages and compensation in excess of \$200,000. Taxpayers in those same AGI ranges are subject to the additional Medicare tax. It’s automatically withheld from employee wages, with the total amount provided in Box 6 of Form W-2. The tax is calculated for business owners or self-employed using figures on Schedule SE.

The health insurance requirement begins to have implications on



New health care laws may affect your taxes but do-it-yourself tax programs can help.

2014 income tax returns (due April 2015). If you have health insurance, your online tax solution will guide you through the simple process of reporting it on your tax return. If you don’t have health insurance for a total of three or more months in 2014, you may pay a penalty that’s reported and calculated on your return. Tax programs will calculate the amount based on the number of uninsured individuals in your household and household income.

Uninsured individuals can shop and apply for health insurance through online “marketplaces,” also called “exchanges,” starting October 1, 2013. States will have their own marketplaces, use the federal government’s Health Insurance Marketplace, or have a hybrid of the two. Enrollment closes March 31, 2014.

If you don’t have access to minimum required employer-provided insurance and purchase insurance through a marketplace, you may qualify for a tax credit. The money can be used to pay for out-of-pocket expenses such as deductibles, co-payments and co-insurance. Eligibility and amounts are based on the cost of marketplace premiums and your household size and income. The credit will be paid directly to the health insurance company. If you elect to receive a lesser credit or no credit at all, you can claim the refundable credit on your 2014 tax return.

Whether you have a simple or complex situation, TaxACT makes it easy to navigate the tax implications of the Affordable Care Act anytime, anywhere. Prepare, print and e-file your federal taxes free at www.taxact.com/affordable-care-act. Visit the Health Insurance Marketplace for information about insurance options at www.healthcare.gov.