



## Timeline/Summary of Tax Provisions in the Health Reform Laws

Effective Date	Provision
<b>Retrospective to Enactment</b>	<ul style="list-style-type: none"> <li>• <b>Health professionals State loan repayment tax relief.</b> Excludes from gross income payments made under any State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas. This provision is effective for amounts received by an individual in taxable years beginning after December 31, 2008. [Section 10908 of H.R. 3590]</li> <li>• <b>Qualifying therapeutic discovery project<sup>i</sup> credit</b> –an amount equal to 50% of the qualifies investment for the taxable year with respect to a qualifying therapeutic discovery project (retroactive to January 1, 2009) – provision expires at end of 2010 [Sec. 9023 of H.R. 3590]</li> <li>• <b>Amends the special deduction for Blue Cross Blue Shield (BCBS)</b> requiring that the non-profit BCBS organizations have a medical loss ratio of 85 percent or higher in order to take advantage of the special tax benefits provided to them under IRC Section 833, including the deduction for 25 percent of claims and expenses and the 100 percent deduction for unearned premium reserves. (retroactive to January 1, 2010) [Section 9016 of H. 3590]</li> <li>• <b>Expansion of adoption tax credit and adoption assistance programs.</b> Increases the adoption tax credit and adoption assistance exclusion (\$12,170 for 2009) by \$1,000, and makes the credit refundable. The credit is extended through 2011. (retroactive to January 1, 2010) [Section 10909 of the H.R.3590]</li> <li>• <b>Credit for Employee Health Insurance Expenses of Small Businesses.</b> Amends the Internal Revenue Code to provide tax credits to small employers. <b>Employee Health Insurance Expenses of Small Employers.</b> Provides a sliding scale tax credit to small employers with fewer than 25 employees and average annual wages of less than \$40,000 that purchase health insurance for their employees. The full credit will be available to employers with 10 or fewer employees and average annual wages of less than \$20,000. To be eligible for a tax credit, the employer must contribute at least 50 percent of the total premium cost or 50 percent of a benchmark premium. In 2011 through 2013, eligible employers can receive a small business tax credit for up to 35 percent of their contribution toward the employee’s health insurance premium. Tax-exempt small businesses meeting the above requirements are eligible for tax credits of up to 25 percent of their contribution. In 2014 and beyond, eligible employers who purchase coverage through the State Exchange can receive a tax credit for two years of up to 50 percent of their contribution. Tax-exempt small businesses meeting the above requirements are eligible for tax credits of up to 35 percent of their contribution. [Sec45R of H.R. 3590]</li> <li>• <b>Elimination of unintended application of cellulosic biofuel<sup>ii</sup> producer credit.</b> Adds an additional revenue provision. In 2008, Congress enacted a \$1.01 per gallon tax credit for the production of biofuel from cellulosic feedstocks in order to encourage the development of new production capacity for biofuels that are not derived from food source materials. Congress is aware that some taxpayers are seeking to claim cellulosic biofuel tax credit for unprocessed fuels (i.e. that could be used in a car engine or in a home heating application) [Sec. 1408 of H.R.4872]</li> </ul>

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<p style="text-align: center;"><b>On Enactment</b></p>	<ul style="list-style-type: none"> <li>● <b>Additional requirements for charitable hospitals<sup>iii</sup></b>. Establishes new requirements applicable to nonprofit hospitals. The requirements would include a periodic community needs assessment and certain limitations on charges. [Sec. 9007 of H.R.3590]</li> <li>● <b>Study and report of effect on veterans' health care.</b> The Secretary of the U.S. Department of Veterans Affairs will review and report to Congress on the effect that the fees assessed on pharmaceutical and medical device manufacturers and health insurance providers have on the cost of medical care provided to veterans and veterans' access to medical devices and branded drugs. [Sec. 9011 of H.R.9011]</li> <li>● <b>Exclusion of health benefits provided by Indian tribal governments.</b> Provides an exclusion from gross income for the value of specified Indian tribal health benefits.[Sec. 9021 of H.R.3590]</li> <li>● <b>Codification of economic substance doctrine and penalties.</b> Adds an additional revenue provision. The economic substance doctrine is a judicial doctrine that has been used by the courts to deny benefits when the transaction generating these tax benefits lacks economic substance. The courts applied the economic substance doctrine uniformly. The provision would clarify the manner in which the economic substance doctrine should be applied by the courts and would impose a penalty on understatements attributable to a transaction lacking economic substance. Codify economic substance doctrine and impose penalties for underpayments [Sec. 1409 of H.R.4872]</li> <li>● <b>Income definitions.</b> Modifies the definition of income that is used for purposes of subsidy eligibility and the individual responsibility requirement. The modifications conform the income definition to information that is currently reported on the Form 1040 and to the present law income tax return filing thresholds. The provision also extends the exclusion from gross income for employer provided health coverage for adult children up to age 26. [Sec. 1004 of H.R.4872]</li> <li>● <b>Federal Program to Assist Establishment and Operation of Nonprofit, Member-run Health Insurance Issuers.</b> Requires the Secretary to award loans for start-up costs and grants to meet solvency requirements, until July 1, 2013, to member-run nonprofits that will offer qualified health plans. Establishes an Advisory Board with members appointed by the Comptroller General, to terminate by 2016. Prohibits health insurance issuers that existed on July 16, 2009 or governmental organizations from qualifying for the program. Allows participants to form a private purchasing council to enter into collective purchasing arrangements for items and services, but which may not set provider payment rates. Prohibits government representatives from serving on the board of directors of participants or the council. Appropriates \$6 billion for the CO-OP program, and exempts participants from taxation. [Sec. 1322 of H.R.3590]</li> <li>● <b>Transitional Reinsurance Program for Individual and Small Group Markets in Each State.</b> For 2014, 2015, and 2016, requires States to establish a nonprofit reinsurance entity that collects payments from insurers in the individual and group markets and makes payments to the insurers in the individual market that cover high-risk individuals. Requires the Secretary to establish Federal standards for the determination of high-risk individuals, a formula for payment amounts, and the contributions required of insurers, which must total \$25 billion over the 3 years.</li> <li>● <b>Eligibility Verification</b>-Accelerates HHS adoption of uniform standards and operating rules for the electronic transactions that occur between providers and health plans that are governed under the Health Insurance Portability and Accountability Act (such as benefit eligibility verification, prior authorization and electronic funds transfer payments). Establishes a process to regularly update the standards and operating rules for electronic transactions and requires health plans to certify compliance or face financial penalties collected by the Treasury Secretary. The goal of this section is to make the health system more efficient by reducing the clerical burden on providers, patients, and health plans. [Sec.1104 of H.R.3590]</li> </ul>

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<p align="center"><b>FY 2010</b></p>	<ul style="list-style-type: none"> <li>• <b>Excise tax on indoor tanning services.</b> Imposes a ten percent tax on amounts paid for indoor tanning services in lieu of the tax on cosmetic surgery. Indoor tanning services are services that use an electronic product with one or more ultraviolet lamps to induce skin tanning. The tax would be effective for services on or after July 1, 2010. [Sec.10907 of H.R.3590]</li> </ul>
<p align="center"><b>FY 2011</b></p>	<ul style="list-style-type: none"> <li>• <b>Free choice vouchers.</b> Requires employers that offer coverage and make a contribution to provide free choice vouchers to qualified employees for the purchase of qualified health plans through Exchanges. The free choice voucher must be equal to the contribution that the employer would have made to its own plan. Employees qualify if their required contribution under the employer’s plan would be between 8 and 9.8 percent of their income. Excludes free choice vouchers from taxation and voucher recipients are not eligible for tax credits. [Sec. 10108 of H.R. 3590]</li> <li>• <b>Increase in additional tax on distributions from HSAs and Archer MSAs not used for qualified medical expenses.</b> Increases the additional tax for HSA withdrawals prior to age 65 that are used for purposes other than qualified medical expenses from 10 percent to 20 percent. The additional tax for Archer MSA withdrawals not used for qualified medical expenses would increase from 15 percent to 20 percent. [Sec. 9004 of H.R.3590]</li> <li>• <b>Imposition of annual fee on branded prescription pharmaceutical manufacturers and importers.</b> Imposes an annual flat fee of \$2.3 billion on the pharmaceutical manufacturing sector beginning in 2010. This non-deductible fee would be allocated across the industry according to market share and would not apply to companies with sales of branded pharmaceuticals of \$5 million or less. [Sec.9008 of H.R. 3590]</li> </ul>
<p align="center"><b>FY 2012</b></p>	<ul style="list-style-type: none"> <li>• <b>Establishment of simple cafeteria plans for small businesses.</b> Establishes Simple Cafeteria Plans that ease participation restrictions so that small businesses can provide tax-free benefits to their employees. Under this provision, self-employed individuals are included as qualified employees. The provision also exempts employers who make contributions for employees under a simple cafeteria plan from pension plan nondiscrimination requirements applicable to highly compensated and key employees. [Sec. 9022 of H.R.3590]</li> <li>• <b>Expansion of information reporting requirements.</b> Requires businesses that pay any amount greater than \$600 during the year to corporate and non-corporate providers of property and services to file an information report with each provider and with the IRS. Information reporting is already required on payments for services to non-corporate providers. [Sec. 9006 of H.R. 3590]</li> </ul>

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FY 2013	<ul style="list-style-type: none"> <li>• <b>Limitation on remuneration paid by certain health insurance providers.</b> Limits the deductibility of executive compensation under Section 162(m) for insurance providers if at least 25 percent of the insurance provider’s gross premium income from health business is derived from health insurance plans that meet the minimum essential coverage requirements in the bill (“covered health insurance provider”). The deduction is limited to \$500,000 per taxable year and applies to all officers, employees, directors, and other workers or service providers performing services for or on behalf of a covered health insurance provider. [Sec.9014 of H.R.3590]</li> <li>• <b>Inflation adjustment of limitation on Flexible Spending Account (FSA) contributions.</b> Indexes the \$2,500 limit on contributions to a flexible spending arrangement by CPI-U for years after December 31, 2011. [Sec. 10902 of H.R.3590]</li> <li>• <b>Imposition of annual fee on medical device manufacturers and importers.</b> Imposes an annual flat fee of \$2 billion on the medical device manufacturing sector beginning in 2010. This non-deductible fee would be allocated across the industry according to market share and would not apply to companies with sales of medical devices in the U.S. of \$5 million or less. The fee does not apply to any sale of a Class I product or any sale of a Class II product that is primarily sold to consumers at retail for not more than \$100 per unit (under the FDA product classification system). [Sec. 9009 of H.R. 3590] <b>H.R.4872 amends these provisions by</b> delaying the tax by two years to 2013 and converts the industry fee to an excise tax on the sale of medical devices by manufacturers and importers at a rate of 2.3 percent. Exempts from tax: eyeglasses, contact lenses, hearing aids, and any device specified by the Secretary of the Treasury that is of a type that is generally purchased by the public at retail for individual use. [Sec. 1405 of H.R.4872]</li> <li>• <b>Eliminate deduction for expenses allocable to Medicare Part D.</b> Eliminates the deduction for the subsidy for employers who maintain prescription drug plans for their Medicare Part D eligible retirees. [Sec. 9012 of H.R. 3590]</li> <li>• <b>Modification of itemized deduction for medical expenses.</b> Increases the adjusted gross income threshold for claiming the itemized deduction for medical expenses from 7.5 percent to 10 percent. Individuals age 65 and older would be able to claim the itemized deduction for medical expenses at 7.5 percent of adjusted gross income through 2016. [Sec. 9013 of H.R.3590]</li> <li>• <b>Additional Hospital Insurance (HI) tax for high wage workers.</b> Modifies the increased HI tax rate for single taxpayers with income in excess of \$200,000 and couples filing jointly with incomes in excess of \$250,000 from 0.5 percentage points to 0.9 percentage points. [Sec. 10906 of H.R.3590]</li> <li>• <b>Fees to support the Patient Centered Outcome Research Trust Fund.</b> Imposes a fee on each specified health insurance<sup>iv</sup> policies and self-insured health plans for each policy year ending after September 30, 2012, a fee equal to the product of \$2 (\$1 in the case of policy years ending during fiscal year 2013) multiplied by the average number of lives covered under the policy or plan. (Termination September 30, 2019) [Sec. 4375 of H.R.3590]</li> </ul>

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FY 2014	<ul style="list-style-type: none"> <li>• <b>Increases the Corporate Estimates Tax</b> imposed under the Corporate Estimated Tax Shift Act of 2009 by 15.75 percent for calendar year 2014. [Sec. 1410 of H.R. 4872]</li> <li>• <b>Imposition of annual fee on health insurance providers.</b> Imposes an annual flat fee of \$6.7 billion on the health insurance sector beginning in 2010. This non-deductible fee would be allocated across the industry according to market share and would not apply to companies whose net premiums written are \$25 million or less and whose fees from administration of employer self-insured plans are \$5 million or less. The public option, as well coops and the national plan, will be subject to the insurance provider fee. [Sec. 9010 of H.R.3590]</li> <li>• <b>Requirement to maintain minimum essential coverage.</b> Requires individuals to maintain minimum essential coverage beginning in 2014. Failure to maintain coverage will result in an assessment of the individual in one of three ways: (a) exempts the income below the filing threshold, (b) lowers the flat payment from \$495 to \$325 in 2015 and (c) raises the percent of income that is an alternative payment amount from 0.5 to 1.0% in 2014, 1.0 to 2.0% in 2015, and 2.0 to 2.5% for 2016 and subsequent years to make the assessment more progressive. [Sec. 1002 of H.R. 4872]</li> <li>• <b>Responsibility for employers.</b> Employers with 50 or more full time employees (FTEs) that do not offer coverage and has at least one employee receiving a premium tax credit, must pay a fee of \$2000 per year (\$166 per month) per FTE, excluding the first 30 employees. (e.g., a firm with 51 workers that does not offer coverage will pay an amount equal to 51 minus 30, or 21 times the applicable per employee payment amount). [Sec. 1003 of H.R. 4872]</li> <li>• <b>Refundable Tax Credit Providing Premium Assistance for Coverage Under a Qualified Health Plan.</b> Amends the Internal Revenue Code to provide tax credits to assist with the cost of health insurance premiums. [Sec. 1401 of H.R. 3590] <b>Refundable Credit for Coverage Under a Qualified Health Plan.</b> The premium assistance credit amount is calculated on sliding scale starting at two percent of income for those at or above 100 percent of poverty and phasing out to 9.8 percent of income for those at 400 percent of poverty. The reference premium is the second lowest cost silver plan available in the individual market in the rating area in which the taxpayer resides. The premium assistance credits do not take into account benefits mandated by States. Employees offered coverage by an employer under which the plan's share of the total allowed costs of benefits provided under the plan is less than 60 percent of such costs or the premium exceeds 9.8 percent of the employee's income are eligible for the premium assistance credit. This section also provides for reconciliation of the premium assistance credit amount at the end of the taxable year and for a study on the affordability of health insurance coverage by the Comptroller General. [Sec. 36B of H.R. 3590]</li> <li>• <b>Reporting of employer health insurance coverage.</b> Requires large employers to report to the Secretary whether it offers to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan, the length of any applicable waiting period, the lowest cost option in each of the enrollment categories under the plan, and the employer's share of the total allowed costs of benefits provided under the plan. The employer must also report the number and names of full-time employees receiving coverage. [Sec. 1514 of H.R. 3590]</li> <li>• <b>Offering of exchange-participating qualified health plans through cafeteria plans.</b> Amends the Internal Revenue Code related to cafeteria plans. [Sec. 1515 of H.R. 3590] Plans provided through the exchange will not be an eligible benefit under an employer-sponsored cafeteria plan, except in the case of qualified employers (i.e., small employers, and, after 2017, large employers in electing states) offering a choice of plans to their employees through the exchange. [Sec. 125(f)(3) of H.R. 3590]</li> </ul>

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FY 2018	<ul style="list-style-type: none"> <li> <b>High-cost plan excise tax.</b> Reduces the revenue collected by the tax by 80 percent. This is achieved by: delaying the application of the tax until 2018, which gives the plans time to implement and realize the cost savings of reform; increasing the dollar thresholds to \$10,200 for single coverage and \$2 for family coverage (\$11,850 and \$30,950 for retirees and employees in high risk professions); excluding stand-alone dental and vision plans from the tax; and permitting an employer to reduce the cost of the coverage when applying the tax if the employer’s age and gender demographics are not representative age and gender demographics of a national risk pool. Under the modified provision, the dollar thresholds are indexed to inflation and the dollar thresholds are automatically increased in 2018 if CBO is wrong in its forecast of the premium inflation rate between now and 2018. [Sec. 1401 of H.R. 4872] </li> </ul>

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<sup>i</sup> **QUALIFYING THERAPEUTIC DISCOVERY PROJECT.**—The term ‘qualifying therapeutic discovery project’ means a project which is designed—  
“(A) to treat or prevent diseases or conditions by conducting pre-clinical activities, clinical trials, and clinical studies, or carrying out research protocols, for the purpose of securing approval of a product under section 505(b) of the Federal Food, Drug, and Cosmetic Act or section 351(a) of the Public Health Service Act,  
“(B) to diagnose diseases or conditions or to determine molecular factors related to diseases or conditions by developing molecular diagnostics to guide therapeutic decisions, or  
“(C) to develop a product, process, or technology to further the delivery or administration of therapeutics.

<sup>ii</sup> The term ‘**cellulosic biofuel**’ shall not include any fuel if— “(I) more than 4 percent of such fuel (determined by weight) is any combination of water and sediment, or “(II) the ash content of such fuel is more than 1 percent (determined by weight).”.

<sup>iii</sup> The term “charitable hospital” will apply to— “(i) an organization which operates a facility which is required by a State to be licensed, registered, or similarly recognized as a hospital, and  
“(ii) any other organization which the Secretary determines has the provision of hospital care as its principal function or purpose constituting the basis for its exemption under subsection (c)(3) (determined without regard to this subsection).

<sup>iv</sup> The term ‘**specified health insurance policy**’ means any accident or health insurance policy (including a policy under a group health plan) issued with respect to individuals residing in the United States.