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Small Business Alert

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Healthcare Reform Simplified

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There is no shortage of summaries of the new Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010, together referred to as the Healthcare Bill. The Bill itself is over 2,000 pages of legislation. The one thing in short supply, however, is any clear guidance on the issue of what steps should be taken **now**.

Many of the summaries published have detailed all the provisions by effective date, indicating that there is a proper sequence of events to consider for compliance with the Healthcare Bill. Does that mean that you should address all the provisions in order and wait for the effective year to address each topic? Should you wait for the regulations to be issued to determine the correct implementation of the law?

Grandfathered Plans

One thing you should NOT do right away, is make any changes to your existing healthcare plans. The Healthcare Bill provides special rules for “grandfathered” health plans. A grandfathered health plan is any group health plan or individual coverage that was effective on March 23, 2010, the date of enactment of the new legislation. The employer is allowed to maintain the current health coverage for individuals that are already enrolled in plans and for subsequently enrolled family members and new hires, without losing grandfathered status, as long as the plan allowed for dependent/family coverage as of March 23, 2010. Collectively bargained agreements are grandfathered until the date on which the last of the collectively bargained agreements relating to the grandfathered coverage terminates.

The main reason you should not make any changes to existing health plans is that grandfathered plans are granted special considerations. They are generally able to avoid many of the new legislation’s provisions, such as the following changes effective October 2010:

- Repeal of annual limits on benefits;
- Provide first-dollar coverage for preventive care;

- New reporting and disclosure requirements; and
- Changes to the appeals process.

Grandfathered status will be beneficial this year, but it will not exempt plans from some of the Bill’s key provisions such as:

- Preexisting condition exclusion prohibition for children;
- Dependent coverage;
- Elimination of coverage rescission;
- Coverage limits; and
- Excessive waiting periods.

Small Employer Tax Credit

One provision of the new Healthcare Bill that should be addressed now is the tax credit available to small employers. To be considered a small employer, you must have 25 or less full time equivalent (FTE) employees during the tax year, pay average FTE annual wages of \$50,000 or less and have a qualified health plan under which you pay at least 50 percent of the premiums for employees enrolled in the plan.

The tax credit effective for 2010 is equal to 35 percent of the employer paid premiums for coverage during the year. To qualify for the credit, the employer must generally pay the same percentage (minimum of 50 percent) of all employees’ premiums. The full amount of the credit, however, is only available for employers with 10 or less FTE’s with average annual wages less than \$25,000 for the year. No credit is allowed for premiums paid on behalf of partners, sole proprietors, two percent shareholders of an S corporation, five percent owners of the employer and dependents of these individuals.

These excluded individuals are not included in the count of employees or in the average wage calculation. The amount of the credit taken must also reduce the
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amount deducted on the tax return for health insurance expense.

This health insurance tax credit is a specified general business credit. As such, it is available against the alternative minimum tax (AMT). Any unused credit can be carried back for one year (but not before 2010) and carried forward for 20 years.

Conclusion

Focusing on these two issues will lessen the stress of attempting to understand the entire Healthcare Bill at once. During the timeline of upcoming effective dates, it is expected that additional guidance and clarification will be issued. It is also possible that some provisions may be modified or eliminated before their effective date. This is only the beginning of a long road to healthcare reform.

One Percent Sales and Use Tax Rate Increase

The Kansas state sales and use tax rate will increase from 5.3% to 6.3% on July 1, 2010. The retailer must charge a customer the combined sales tax rate that equals the sum of the applicable state rate *plus all local sales tax rates*.

(KDOR Notice 10-02)

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New Filing Requirements for Your Retailers' Sales, Compensating Use, and Withholding Tax

Effective **July 1, 2010**, Kansas businesses will be required to **submit** Retailers' Sales, Compensating Use, and Withholding Tax returns **electronically**. To ensure a smooth transition for Kansas businesses the Kansas Department of Revenue (KDOR) will continue to provide paper forms as needed through **September 30, 2010**.

Please note: After September 30, 2010 KDOR will no longer have printed paper forms available for distribution. If you have questions about this new law, please contact our office.

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