



## The Affordable Care Act

### FOR INDIVIDUALS – It's all about coverage

Currently, attention is focused on the health insurance exchanges or “Marketplace” that opened for business on October 1, 2013. Confusion about the Affordable Care Act has left many people thinking everyone has to deal with the exchanges. The fact is that if you are covered by Medicare, Medicaid, or an employer-provided plan, you don't need to do anything.

Also, if you buy your health insurance on your own and are happy with your plan, you can keep your coverage (assuming that your plan is still offered by the insurance company). However, the only way to get any premium-lowering tax credits based on your income is to buy a plan through the Marketplace.

#### • **The exchanges (Marketplace)**

Each state will either develop an insurance exchange (Marketplace) or use one provided by the federal government. The Marketplace will allow those seeking coverage to comparison shop for health plans from private insurance companies.

There will be four types of insurance plans to choose from: Bronze, Silver, Gold, and Platinum. The more expensive the plan, the greater the portion of medical costs that will be covered. The price of each plan will depend on several factors including your age, whether you smoke, and where you live.

Many individuals will qualify for federal tax credits which will reduce the premiums they actually pay. Each state's Marketplace will have a calculator to assist individuals in determining the amount, if any, of their federal tax credit.

#### • **The individual play or pay penalty**

If you're one of the 45 million or so Americans without health insurance, you will generally need to get coverage for 2014 or pay a penalty of \$95 or 1% of your income, whichever is greater. Low-income individuals may qualify for subsidies and/or tax credits to help pay the cost of insurance.

The penalty increases to \$325 or 2% of income for 2015 and to \$695 or 2.5% of income for 2016. For 2017 and later years, the penalty is inflation-adjusted. Those who choose not to be insured and to pay the penalty instead will still be liable for 100% of their medical bills.

NOTE: If you will be shopping for health insurance on the Marketplace, be aware that the enrollment period runs from October 1, 2013, through March 31, 2014.

The Affordable Care Act may be one of the most complicated and confusing laws ever passed, but one thing is very clear: the law will affect the taxes of most Americans. In order to manage your tax bill, you will have to factor the new health care rules into your overall personal and business tax planning. For guidance, contact our office.

## For more information

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