

## The QUARTERLY

DIVIDEND  
an e-newsletter for the financially savvy

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Spring 2010

## Welcome to the Quarterly Dividend

Welcome to the Spring issue of The Quarterly Dividend... We've received many questions about the changes that the health care reform bill will bring. We've outlined the key issues and what you need to be aware of below. Feel free to contact us if you have specific questions. This bill will have an impact on businesses of all sizes and we hope this information makes it a little easier for you to plan for the changes that are coming. We appreciate you forwarding this information on to whomever you feel would benefit from this newsletter.

Regards,

Chad Cromwell & Melanie Ptacek

## Health Care Reform Law Changes

Immediately

- ✓ Most of the changes written into the bill will not take effect until 2014.
- ✓ One immediate change is that small businesses may be eligible for a tax credit by providing insurance to their employees. Businesses with 25 or less employees may qualify for a credit of up to 35% of the health insurance paid by the employer.

**On a side note of the bill, tanning salon users can expect a hike in tanning fees as there is a new 10% excise tax on these services.**

## Health Insurance Exchanges

- ✓ By 2014, uninsured and self-employed individuals as well as small businesses will be able to purchase insurance through state-based exchanges. These exchanges will essentially be an insurance marketplace made up of private companies. The state exchanges will be federally subsidized through increased Medicare payroll taxes and excise taxes

on high-end insurance plans.

## 2014 Penalty Taxes

- ✓ In 2014, if you are uninsured you will pay a penalty tax of \$95 up to \$285. Families will also pay a tax of \$47.50 for each uninsured child.
- ✓ In 2015, the penalties jump from \$325 to \$975 and by 2016 the max penalty is \$2,085. After that it is indexed for inflation.
- ✓ Lower income levels (\$11,000 to \$44,000 for individuals & \$22,000 to \$80,000 for a family of four) will get a refundable credit to help them cover the cost of insurance.
- ✓ Firms with 50 or more employees with no health plan will owe a tax of \$2,000 times the total number of employees, minus \$60,000. If a business has 80 employees but no health plan, the excise tax is \$100,000 and is not tax deductible. Firms can still get hit if a low income employee chooses to buy insurance individually rather than with the company's policy.
- ✓ Starting in 2018, insurance firms & self-insurers have to pay a 40% tax on plans with premiums over \$10,200 for self coverage and \$27,500 for family coverage. Higher thresholds are allowed for those over 55 and in high risk professions.

## Tax credit for hiring employees off of unemployment

- ✓ The new HIRE Act incentivizes employers to hire employees that have worked less than 40 hours per week or have been unemployed for 60 days. The employers will not have to pay the employer portion of social security on the eligible workers, which will result in a 6.2% payroll tax savings on wages.

- ✓ Also included in this Act is an additional tax credit of up to \$1,000 per employee if they retain that employee full time for 52 weeks consecutively.

## First Time Home Buyer & Trade-Up Tax Credit Deadlines

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- ✓ There does not seem to be any movement in congress to extend these tax credits. To qualify for the credit there must be a binding sales contract in place on or before April 30, 2010 and it must close by June 30, 2010.

## SEP Plans

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- ✓ For those self-employed people on tax extensions, it is not too late to set up a SEP plan for your retirement. You have until October 15th to set up and make contributions to your SEP Plans.

## Hybrid Tax Credits

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- ✓ The state of Oregon no longer provides a \$1,500 tax credit to those residents purchasing a Hybrid as of January 1, 2010. There are still some federal credits but the amount depends on the make and model of the hybrid purchased and some Cadillac, Chevy, GMC & Nissan models are still eligible.

## No Changes to the Making Work Pay Credit in 2010

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- ✓ Most people with earned income will get a credit of \$400 per wage earner. The federal withholding tables have been adjusted for this and the credit generally results in receiving the money throughout the year.

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