



To: FCA Community  
From: Ray Fujii, Chairman – Government Relations Advisory Committee  
Subject: **The Affordable Care Act’s Tax Effect on FCA Contractors**  
Date: August 10, 2012

**The taxes included in the Patient Protection and Affordable Care Act (PPACA) remain and will potentially have a negative financial impact on FCA contractors.** FCA contractors must continue to locally plan to comply with the requirements of the PPACA that will take effect in 2012 through 2014.

The following information is geared towards the tax effect on our contractors. Information on healthcare exchanges and other effects will be forthcoming.

**For All FCA Contractors:**

- Three point eight percent surtax will apply on investment income earned in households making at least \$250,000 (\$200,000 single). Effective 2013, this provision may make it harder for employers to raise capital in order to create jobs and expand business operations. This would result in the following top tax rates on investment income:

Scenarios	Capital Gains	Dividends	Other Income
2011-2012	15.0%	15.0%	35.0%
2013 + Affordable Care Act	23.8%	43.4%	43.4%
2013 + Obama 2013 Budget	23.8%	23.8%	43.4%

- Employers are required to provide employees with a Summary of Benefits and Coverage (SBC) prior to enrollment, when enrolling in coverage, at each new plan year and within seven business days of requesting a copy from their health issuer or group health plan. This requirement applies to insured and self-funded group health plans, regardless of grandfathered status, and health insurance issuers offering group or individual health insurance coverage.
- Beginning January 1, 2013, employees' contributions to Flexible Spending Accounts (FSA) will be limited to \$2,500 per tax year with annual inflation increases.

**For FCA Contractors with 50 or More Employees:**

- Effective in 2014, if an employer that does not offer health coverage, and has at least one employee who qualifies for a health tax credit, the employer must pay an additional non-deductible tax of \$2000 for all full-time employees. If any employee actually receives coverage through the exchange, the penalty on the employer for that employee is increased to \$3000. If the employer requires a waiting period to enroll in coverage of 30-60 days, there is a \$400 tax per employee (\$600 if the period is 60 days or longer).

\*\*\* While FCA makes every effort to present accurate and reliable information, FCA and its Board of Directors do not certify such information. Use of such information is voluntary, and reliance on it should only be undertaken after an independent review of its accuracy, completeness, efficacy, and timeliness.