Tax Implications of Federal Health Care Reform

#6790B
EXAM MATERIAL
TAX IMPLICATIONS OF FEDERAL HEALTH CARE REFORM
(COURSE #6790B)

COURSE DESCRIPTION

This course provides a summary of health insurance changes made by the Affordable Care Act (ACA) with respect to the revenue provisions, along with a discussion of the implementation of these changes. You will find a description and the tax consequences of the provisions in effect for 2013, new provisions becoming effective in 2014 and 2015, as well as one excise tax that does not become effective until 2018. The course will detail changes in the law that affect group health plans, Medicare, and Medicaid. No prerequisites. Course level: Basic. Course #6790B – 6 CPE hours.

Make A Note

This course is a synopsis of portions of the federal health care reform and its proposed implementation as it is best understood as of the time of this printing. Due to its nature, items are subject to change.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

ASSIGNMENT 1: SUBJECT

Initial ACA Changes to Health Coverage
Tax Treatment of Medical Care Expenses for Individuals
Provisions Affecting the Tax Treatment of Employers and Employer-Sponsored Health Plans
Other Provisions Affecting the Tax Treatment of Individuals

Study the course materials from pages 1 to 46
Complete the review questions at the end of Assignment 1
Answer the exam questions 1 to 11

Objectives:

• To recognize the timing for the initial requirements for group health plans
• To recall the tax treatment of medical care expenses for individuals
• To identify the type of employer-sponsored health coverage that requires W-2 reporting
• To identify other tax provisions resulting from the ACA that affect individuals
ASSIGNMENT 2: SUBJECT
Other Changes in Business Deductions and Credits
Industry, Product, or Service Fees or Excise Taxes
Tax-Exempt Organizations
Other Revenue Provisions
Disclosures to Carry Out the Reduction of Medicare Part D Subsidies for High Income Beneficiaries

Study the course materials from pages 47 to 82
Complete the review questions at the end of Assignment 2
Answer the exam questions 12 to 18

Objectives:
• To recognize changes made to business deduction and credits
• To identify industry, product, or service fees imposed by the ACA
• To identify requirements of the reinsurance program
• To recall the penalty on transactions to which the economic substance doctrine applies

ASSIGNMENT 3: SUBJECT
ACA Changes to Health Coverage Effective 2014
Premium Tax Credit and Reduced Cost-Sharing for Individuals Enrolled in Qualified Health Plans
Requirement to Maintain Minimum Essential Coverage
Employer Shared Responsibility Provisions
Annual Fee on Health Insurance Providers

Study the course materials from pages 83 to 130
Complete the review questions at the end of Assignment 3
Answer the exam questions 19 to 28

Objectives:
• To identify changes to become effective in 2014
• To identify premium tax credit reporting and eligibility requirements
• To recall the provisions related to minimum essential coverage
• To recognize the provisions related to employer responsibility
• To recall the annual fees for health insurance providers
ASSIGNMENT 4:  SUBJECT
Excise Tax on High Cost Employer-Sponsored Health Coverage

Study the course materials from pages 131 to 140
Complete the review questions at the end of Assignment 4
Answer the exam questions 29 to 30

Objectives:

• To recognize the characteristics of the excise tax on high cost employer-sponsored health coverage

ASSIGNMENT 5:

• Complete the Answer Sheet and Course Evaluation and submit to PES

NOTICE

This course and test have been adapted from materials and information contained in the materials entitled Tax Implications of Federal Health Care Reform and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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Program publication date 6/18/14
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TAX IMPLICATIONS OF FEDERAL HEALTH CARE REFORM
(COURSE #6790B) - EXAM OUTLINE

COURSE EXPIRATION DATE: Per AICPA and NASBA standards, this course must be completed within one year from the date of purchase.

TEST FORMAT: The following final exam, consisting of 30 multiple choice questions, is based specifically on the material included in this course. The answer sheet must be completed and returned to PES for CPE certification. You will find the answer sheet at the back of this exam packet so that you may easily remove it and use it while taking your test.

LICENSE RENEWAL INFORMATION: The Tax Implications of Federal Health Care Reform course (#6790B) qualifies for 6 CPE hours.

PROCESSING: Your exam will be graded promptly. You must score 70% or better to pass. If you mail or fax your exam, when you pass, your certificate of completion will be mailed. If you do not pass, we will give you a courtesy call to inform you of this, and another answer sheet will be sent to you free of charge. If you complete your exam online, your certificate will be available automatically in your account if you achieve a passing grade.

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1. Beginning in what year does a group health care plan in which an individual was enrolled on or before March 23, 2010 (a grandfathered plan) have to provide coverage to adult children up to the age of 26, unless other employer-provided coverage is not available:
   A. 2013
   B. 2014
   C. 2016
   D. 2018

2. An arrangement under which employees are allowed to reduce their current cash compensation and use the money to reimburse the employee for his or her medical expenses is called a(n):
   A. Archer medical savings account (MSA)
   B. voluntary employee beneficiary association (VEBA)
   C. health savings account (HSA)
   D. flexible spending arrangement (FSA)

3. The updated guidance on the “use-or-lose” rule permits employers to allow plan participants to carry over up to what amount of their unused health FSA balances remaining at the end of a plan year:
   A. $100
   B. $250
   C. $500
   D. $1,000

4. Starting in 2013, the annual limit on the dollar amount of salary reductions that an employer may permit to be contributed to health FSAs under its cafeteria plan is:
   A. $1,500
   B. $2,000
   C. $2,500
   D. $3,000

5. In order to be an eligible employer for a SIMPLE cafeteria plan, you must:
   A. have employed an average of 50 or fewer employees during either of the two preceding years
   B. have employed an average of 100 or fewer employees during either of the two preceding years
   C. be in the health care industry
   D. provide health coverage through the American Health Benefit Exchanges

6. For 2014, the maximum aggregate annual contribution that a 45 year-old can make to a self-only coverage HSA is:
   A. $1,250
   B. $2,500
   C. $3,250
   D. $3,300

7. Following the enactment of the ACA, the additional tax on “nonqualified distributions” from both HSAs and Archer MSAs for taxable years beginning after December 31, 2011, increased to:
   A. 15% of the amount of distribution
   B. 20% of the amount of distribution
   C. 25% of the amount of distribution
   D. 30% of the amount of distribution
8. Which of the following is deductible as a medical expense following the enactment of the ACA:
   A. nonprescription aspirin
   B. nonprescription allergy medicine
   C. nonprescription antacids
   D. over-the-counter insulin

9. Which type of employer-sponsored health coverage needs to be reported on your W-2:
   A. major medical insurance
   B. HSA contributions
   C. Archer MSA contributions
   D. workers’ compensation

10. The net investment income tax on high-income taxpayers is what percent of the lesser of net investment income or the excess of modified adjusted gross income over the threshold amount:
    A. 2.5%
    B. 3.2%
    C. 3.8%
    D. 4.1%

11. A real estate professional may be eligible for the net investment income tax safe harbor if he or she has participated in rental real estate activity for at least more than how many hours during the tax year:
    A. 100
    B. 250
    C. 300
    D. 500

12. The amount of the allowable deduction for compensation accrued for each executive of a corporation is limited under Section 162(m) to no more than what amount per year:
    A. $250,000
    B. $500,000
    C. $1 million
    D. $1.5 million

13. In order for an insurance provider to be considered a covered health insurance provider, at least what percent of the insurance provider’s gross premium income from health business must be derived from health insurance plans that provide minimum essential coverage:
    A. 20%
    B. 25%
    C. 30%
    D. 35%

14. Where does the annual fee imposed on branded prescription pharmaceutical manufacturers and importers get applied:
    A. Medicare Part B trust fund
    B. Medicaid
    C. American Health Benefit Exchanges
    D. health insurance care providers

15. How much is the excise tax on the sale of medical devices:
    A. 1.7%
    B. 2.3%
    C. 3.1%
    D. 5.2%
16. What effect does the new law have on tanning salons:
   A. it imposes an excise tax of 10% of the amount paid for the services
   B. it requires that persons using tanning salons be at least 21 years of age
   C. it outlaws the resale and distribution of tanning beds
   D. it imposes a threshold on the number of minutes that a consumer can use tanning beds

17. Beginning January 1, 2014, issuers of health benefit plans offered in the individual market are required to contribute to a temporary reinsurance program for individual policies administered by a nonprofit reinsurance entity for a period of:
   A. 12 months
   B. 24 months
   C. 36 months
   D. 48 months

18. The ACA imposes a new penalty on transactions to which the “economic substance” doctrine applies. Generally, how much is this new penalty:
   A. 10%
   B. 20%
   C. 30%
   D. 50%

19. For group health plans beginning on or after January 1, 2014, the ACA requires:
   A. no annual limits on essential health benefits
   B. no waiting periods of more than 60 days
   C. coverage for children up to the age of 28
   D. all spouses’ of employees to be covered under the same plan

20. Individuals in need of health insurance coverage can purchase coverage through a Marketplace beginning in:
   A. 2013
   B. 2014
   C. 2016
   D. 2018

21. Regarding the premium tax credit, when should individuals and families report any changes in circumstances:
   A. throughout the year
   B. by December 31
   C. right before filing taxes
   D. after you receive your 2014 tax return

22. Generally, in order for individuals to be eligible for “the premium tax credit,” they need to have incomes between what percentages of the federal poverty level:
   A. 100% and 200%
   B. 100% and 300%
   C. 100% and 400%
   D. 100% and 500%

23. Which of the following is not considered a form of minimum essential coverage:
   A. Medicare
   B. dental-only coverage
   C. Medicaid
   D. Children’s Health Insurance Program

24. How much is the annual flat dollar penalty for each taxpayer and any dependents for failure to maintain minimum essential coverage in 2014:
   A. $95
   B. $150
   C. $325
   D. $695
25. How many full-time employees and full-time equivalent employees must an employer have during the preceding calendar year in order to be an applicable large employer:

A. at least 25  
B. no more than 25  
C. at least 50  
D. no more than 50

26. For the purposes of the ACA, a full-time employee is an employee who, for any month, works an average of at least how many hours each week:

A. 25  
B. 30  
C. 40  
D. 45

27. For 2014, health insurance providers are subject to a fee of:

A. $8 billion  
B. $10.2 billion  
C. $13.5 billion  
D. $14.1 billion

28. The annual payment date for a calendar year for the annual fee on health insurance providers can be no later than what day of that year:

A. January 1  
B. April 1  
C. September 30  
D. December 31

29. Which of the following is true regarding the excise tax on high cost employer-sponsored health coverage:

A. it is effective for taxable years beginning after December 31, 2013  
B. it is effective for taxable years beginning after December 31, 2017  
C. it is determined on an annual basis  
D. it is deductible

30. The ACA tax provision on high cost employer-sponsored health coverage is equal to what percent of the amount by which the aggregate cost exceeds the threshold amount:

A. 10%  
B. 20%  
C. 30%  
D. 40%
TAX IMPLICATIONS OF FEDERAL HEALTH CARE REFORM #6790B
(6 CPE HOURS) – ANSWER SHEET (6/14)

IMPORTANT NOTE: For certification, this answer sheet must be completed and submitted to PES for grading within one year from the date of purchase. Please use BLACK INK and PRINT for quicker processing – thank you.

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