



Affordable Care Act: Impact on Farmers and Farm Businesses

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Overview

1. 3.8% net investment income tax (1/1/13)
2. 0.9% add'l Medicare tax (1/1/13)
3. Individual mandate to maintain healthcare coverage (1/1/14)
4. Employer mandate with respect to healthcare coverage (1/1/14)

Affected Taxpayers



- **Individuals**
- **Trusts**
- **Estates**

Individual Taxpayers



- **3.8% NIIT applies to lesser of:**
 - Taxpayers net investment income for year, or
 - Amount of modified adjusted gross income in excess of threshold amount

Threshold Amounts



	NIIT	ATRA	Top Bracket
		Phaseouts	39.60%
S	\$ 200,000	\$ 250,000	\$ 400,000
MFJ	250,000	300,000	450,000
MFS	125,000	150,000	225,000
HOH	200,000	275,000	425,000
QW	200,000	300,000	450,000

NII Categories of Income



1. Gross interest, dividends, annuities, royalties, and rents.
2. Other income from covered trade or business
3. Net capital gains from a disposition of non-business property.

Two part test for exception:

- **"Trade or business" under §162**
- **"Material participation" under §469 (and Temp. Treas. Reg. §1.469-5T)**

A business that trades in financial instruments or commodities cannot be exempt.

- **Material participation**
- **Real estate professional**
- **Rental activity**
- **Grouping**

NII does not include income subject to SE tax.



- **NII is gross investment income less expenses:**
 - Investment interest
 - Investment advisory fees
 - Brokerage fees
 - Rental expenses
 - Royalty expenses
 - State and local income taxes

Filing Status	Threshold Amount
MFJ	\$250,000
MFS	125,000
S, HoH, QW	200,000

- Wages and other employment compensation.
- SE income



- **There are 9 exemptions, including:**
 1. **Individuals lacking access to affordable MEC,**
 2. **Individuals with less than filing threshold amount, and**
 3. **Individuals determined by state exchange to have suffered hardship preventing obtaining coverage.**



Filing Status	Filing Threshold Amount
S	\$10,000
MFJ	20,000
MFS	3,900
HoH	12,850
QW	16,100

- Significant increase in essential expenses,
- Expense causes deprivation of essentials,
- No affordable coverage,
- Gross income below filing threshold,
- Eligible for Medicaid,
- Eligible for employer plan (but cost >8%),
- Other circumstances

Farmer Bill's income for:

- A. 2012**
- B. 2013**
- C. 2014**

will determine whether he is subject to the individual mandate for 2014.

Farmer Bill's income for:

- A. 2012**
- B. 2013**
- C. 2014**

will determine the amount of any 2014 shared responsibility payment (penalty) he owes.




IRC Section 6056

- Applicable large employers must file annual return with the IRS regarding:
 - Details about employees
 - Nature of the coverage offered
 - Minimum value (60%)
 - Affordable (9.5%)

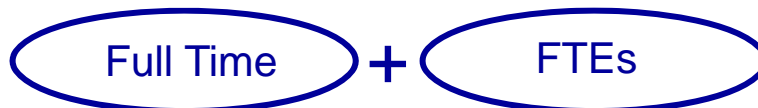
DOL Technical Release 2013-02 (May 8, 2013)

- Notice to employees required by Oct. 1, 2013 for employers with:
 - At least one employee used in interstate commerce, and
 - \$500,000 in “annual dollar volume of business”

www.dol.gov/ebsa/newsroom/tr13-02.html

- Delayed enforcement 
- Which farm businesses are affected?
- What are the penalties?
- Should the farm business offer coverage to full time employees?

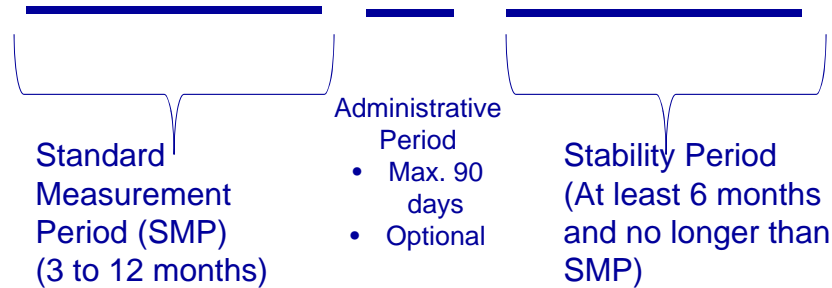
- Count employees (common law “right of control test)



= 50 or more*

*Seasonal employee exception exists

Count employees during a “controlled period”



For a calendar year plan year:



- **Section 4980H(a)** for “no-coverage” farm employers:
 $(\text{FT employees} - 30) \times \$2,000$
- **Section 4980H(b)** for “coverage” farm employers: Lesser of:
 $\$3,000 \times \# \text{ employees obtaining PAC}$
or the 4980H(a) penalty