

Repeal of ACA Tax Provisions Uncertain After Senate Vote Fails

In a dramatic session that went into the early hours of the morning of July 28, a bill to repeal parts of the Affordable Care Act (ACA) — but retain others — failed to capture enough votes in the U.S. Senate. Senators Susan Collins (R-ME), John McCain (R-AZ) and Lisa Murkowski (R-AK) broke ranks with Republicans in the 51-49 vote against the bill, dubbed a “skinny repeal” of the law.

The bill would have eliminated:

- The individual mandate, which imposes tax penalties on individuals who don’t purchase minimum essential coverage if they aren’t eligible for Medicaid, Medicare or other government-provided insurance (unless they qualify for an exception),
- The employer mandate, which imposes tax penalties on certain employers that don’t offer minimum essential health insurance coverage (or that offer coverage that is unaffordable or doesn’t provide minimum value), and
- The excise tax imposed on manufacturers and importers of certain medical devices.

Other provisions of the bill, officially called “The Health Care Freedom Act,” included an increase in contribution limits for tax-advantaged Health Savings Accounts and a restriction on federal funds to entities that perform abortions.

Third Senate Attempt

The Health Care Freedom Act was the third version of a repeal bill that Senators failed to pass this week. On July 25, after agreeing to open a health care debate, the Senate rejected the revised Better Care Reconciliation Act, its version of a bill to repeal and replace the ACA.

The next day, the Senate considered and ultimately rejected a straight ACA repeal that included a two-year delay in implementation to give Congress time to come up with a replacement.

What Happens Next?

The Senate’s failure to pass a bill leaves efforts to repeal the ACA in limbo, as congressional leaders sort out how to proceed. They may ultimately soften any version of an ACA repeal in order to gain the bipartisan support needed to pass future health care legislation. To delay the issue further, Congress will be leaving Washington soon for the August recess.

In the meantime, the ACA — and all of its tax provisions — remains the law of the land. This includes not only the taxes mentioned above, but also the 3.8% net investment income tax, the additional 0.9% Medicare tax, the 10% of adjusted gross income threshold for medical expense deductions and the \$2,600 contribution limit on health care Flexible Spending Accounts.

Contact us if you have questions about how the law affects your individual or business taxes. Feel free to reach out to your personal advisor or contact us at: cpas@dzhphillips.com or call (415) 781-2500.