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Implications of Health Insurance Enforcement on IRS pt 1

With the ever-increasing cost of medical care, the US government has made it mandatory for all its citizens to purchase health insurance. This is known as the Healthcare Reform law. If you violate this law, you will be subjected to a fine of \$695 or 2.5% of their income, whichever is higher. It is anticipated that more than 4 million Americans who fail to obtain health insurance could be subject to penalties of up to \$1,000 by 2016.

By 2014, the agency that is commissioned to enforce this law is the IRS. But unlike the usual enforcement steps that you are familiar with like wage garnishments, levies on properties, imprisonment etc, the IRS method of ensuring that the healthcare rule is adhered to will be rather different. If you do not purchase health insurance, the only thing the IRS will do (besides send you reminder letters) is withhold your tax refunds (if you are due any). In other words, compliance with the new healthcare law is largely voluntary.

This voluntariness is not a bad thing and it certainly does not make it unworkable. Take Massachusetts, for example. The state has made it mandatory for its residents to have health insurance since 2008. And last year, 98% of the state's residents who were required to furnish health insurance details with their tax returns did so and 96% of the residents were found to be covered by the insurance. However, one pertinent point in the case of Massachusetts is worthy of mention. The state gives its Revenue Department the regular tax-collection authority to enforce the healthcare requirement. As a result, up to September last year, \$12.9 million out of \$16.4 million in fines assessed in 2008 was collected.

The Healthcare Reform bill will inevitably lead to an expansion in the IRS to enable it to carry out its duty of enforcement. It is estimated that the IRS needs an additional \$5 billion to \$10 billion over the next 10 years to fund this activity besides needing additional manpower. Another responsibility of the IRS in administering the healthcare law is to provide tax credits to small business owners to incentivize them to provide health insurance to their staff and refundable tax credits to individuals who cannot afford health insurance. Last week, the IRS mailed to about 4 million small businesses and tax-exempt groups informing them of tax credits they are entitled to when they offer health insurance to their staff or retain the coverage they currently have. These tax credits will take effect this year.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.