

# Affordable Care Act: Taxing My Teeth and My Tan?

## Some Facts vs. Fiction

by Kevin C. Kennedy, CPA, CFE

At mid-December 2012, uncertainty of what would happen in 2013 relative to tax rates, alternative minimum tax, capital gains, etc. required a larger than normal amount of “what if’s,” during the tax planning process. After the election last November however, there was a little more we could plan on, and in particular it appeared the “Patient Protection and Affordable Care Act” (often referred to as “Obama Care”) would remain in place and stay relatively unaltered. There was a lot of circulation of information and emails about what the Act entailed, some accurate, some embellishment, and certainly some incomplete. A few of the more interesting comments that I saw circulated are below and I have included my own thoughts:



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“You are going to have to pay 3.8% on the sale of your home...” – Probably not for most. The Affordable Care Act does have a 3.8% tax on investment income; however in many cases this will not apply to the sale of a primary residence. Adjusted gross income generally has to be over \$200,000 (or \$250,000 for married couples) before this tax will apply, and the tax only applies to the taxable portion of the sale. The taxable portion could easily be zero when you consider your home must be sold for a gain and that the IRS Code may allow for an exclusion of taxable gain up to \$250,000 (or possibly \$500,000).

“The IRS will be taxing wheelchairs and pacemakers...” – In some ways, maybe. The Act imposes an excise tax of 2.3% on the sale of certain medical devices. Which items qualify as a “taxable medical device” is complex, but certain things like pacemakers may fall under this realm, most wheelchairs will likely fall under an exemption. However, the tax

is usually imposed on manufacturers and not the consumers.

“Will dental work be taxable?” – Yes and no. The National Association of Dental Laboratories had a legal analysis/opinion letter produced in October 2012 which indicated most domestic dental labs manufacture devices are not listed with the FDA that would not be subject to the 2.3% Medical Device Excise Tax.

Domestic dental laboratories may see the 2.3% device tax when they purchase materials and equipment from dental manufacturers and suppliers, as some of the raw materials may be subject to the medical device excise tax.

“My tax withholding is going up...” – Probably. You probably already know that the employee portion of the Social Security tax returned to 6.2% up 2% from the 2012 level, but, a new Additional Medicare Tax goes into effect in 2013. The 0.9% additional Medicare Tax applies to an individual’s wages and self-employment income when adjusted gross income exceeds certain

amounts (\$200,000 for single, \$250,000 for joint). An employer is responsible for the withholding of this tax if it pays to an employee in excess of \$200,000 in a calendar year.

“A tan is now taxed...” – Actually, yes. With some exceptions, a 10% excise tax on indoor UV tanning services went into effect on July 1, 2010.

Needless to say, these new regulations are complex. Email blasts and these abbreviated points will not cover the entire story. Research will be needed to determine what may apply to an individual’s or business’s situation.

**Please note, US Treasury Circular 230 Notice, that to the extent that this message concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.**

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