



# TaxNewsFlash

## United States

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### **Legislative update: House passes health care bill; includes tax provisions**

The U.S. House of Representatives today passed H.R. 1628, the American Health Care Act of 2017 (AHCA), by a vote of 217-212. A portion of the bill, which repeals and modifies a number of provisions of the Affordable Care Act, was previously reported by the Ways and Means Committee on a party-line vote on March 9, 2017.

Read text of the [bill](#) [PDF 413 KB] and relevant [amendments](#) incorporated into the bill.

#### **Tax provisions**

The bill contains a number of tax-related provisions including measures that would:

- Repeal the net investment income tax
- Postpone “Cadillac tax” to 2026
- Modify the small business tax credit
- Eliminate penalties related to the individual and employer mandates
- Repeal the tax on over-the-counter medications
- Modify rules relating to health savings accounts (HSAs) and flexible spending accounts (FSAs)
- Repeal the medical device excise tax
- Modify qualifying adjusted gross income threshold for medical care deduction
- Repeal the Medicare tax increase
- Create refundable tax credit for health insurance coverage
- Repeal the tax on prescription medications
- Repeal the annual health insurer fee
- Repeal the “indoor tanning tax”
- Repeal the compensation deduction limitation on covered health insurance providers

## KPMG observation

The bill would not repeal all of the tax items originally enacted as part of the Affordable Care Act. For example, it does not include the repeal of the codification of the economic substance doctrine (section 7701(o)).

## What's next?

The bill will be transmitted to the U.S. Senate, where a date for consideration has not been determined. The AHCA was considered pursuant to reconciliation instructions contained in the Resolution on the Budget for Fiscal Year 2017. As a reconciliation bill, H.R. 1628 may be considered in the Senate under certain procedural rules that limit debate, thus protecting the bill from a Senate filibuster and allowing the bill to be approved by the Senate with a simple majority.

## Background

The House on January 13, 2017, passed a budget resolution instructing the Ways and Means and the House Energy and Commerce committees to draft legislation achieving a certain amount of deficit reduction over 10 years. The instructions were drafted to accommodate legislation to repeal and to replace health-care legislation enacted during the Obama Administration.

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