



# GMS Flash Alert

2017-086 | May 5, 2017



## United States – House Passes Bill to Repeal Affordable Care Act

On Thursday, May 4, 2017, the U.S. House of Representatives narrowly voted in favor of the American Health Care Act (H.R. 1628, hereinafter “AHCA”), as amended.<sup>1</sup> This is the second attempt by the House to repeal and replace the Affordable Care Act (“ACA,” also known as “Obamacare”) since January.<sup>2</sup>

AHCA would repeal several tax provisions introduced by the Affordable Care Act, including the 0.9-percent additional Medicare tax and the 3.8-percent tax on net investment income.

AHCA will now go to the Senate for consideration and debate; it has not been evaluated by the Congressional Budget Office, so its impact and full costs are not yet known.

---

### WHY THIS MATTERS

The ACA requirement that an employer offer health-care coverage and an individual’s obligation to obtain health insurance may apply to foreign nationals working in the United States and to certain U.S. persons working overseas. Thus, for employers with international assignees, the repeal of the employer and individual mandate penalties could provide significant cost and administrative relief. Moreover, the repeal of the additional 0.9-percent Medicare tax and the 3.8-percent tax on net investment income may result in cost savings.

---

### Tax Measures Eliminated

In part, the proposed legislation would repeal certain health-related tax policy provisions including:

- the employer and individual mandate penalties;

- the additional 0.9-percent Medicare tax on earned income in excess of \$200,000 (\$250,000 for joint filers) starting in 2023; and
- the 3.8-percent tax on net investment income starting in 2017.

## More Incentives for Health Savings Accounts

Currently, the rules for Health Savings Accounts allow:

- individuals to save up to \$3,400 tax free; and
- families to save up to \$6,750 tax free.

AHCA would nearly double those limits in 2018:

- to \$6,550 for individuals; and
- to \$13,100 for families.

AHCA would also eliminate the caps currently applied to contributions made to tax-deductible flexible spending accounts.

## Tax Credits for Buying Insurance

AHCA would provide for a more generous tax credit applied to a larger pool of income-earners for individuals buying a policy on an insurance exchange.

Currently under the ACA, those earning less than \$47,500 are eligible for a tax credit to help them pay their health insurance premiums if they buy a policy on the insurance exchange.

AHCA expands this by allowing a tax credit (or, rather, some portion of a credit) to those earning up to \$215,000 (\$290,000 if married) when buying insurance on the open market.

---

## KPMG NOTE

### Next Phase for AHCA

AHCA will now go to the Senate, where its fate is uncertain. The proposed legislation will be the subject of vigorous debate and possible amendment. At this stage, the contours of any final legislation cannot be determined.

KPMG LLP will endeavor to monitor and report future developments with respect to AHCA.

### Other KPMG Publications

For further information, please see "[Legislative update: House passes health care bill; includes tax provisions](#)," (May 4, 2017) in [TaxNewsFlash-Legislative Updates](#), a publication of the KPMG International member firm in the United States.

---

## FOOTNOTES:

1 For the text and status of AHCA, see: <https://www.congress.gov/bill/115th-congress/house-bill/1628> .

2 For coverage of the effort by the House to repeal and replace the ACA in March 2017, see GMS [Flash Alert 2017-047](#) (March 9, 2017).

For prior coverage of the ACA, see the following issues of the GMS practice newsletter *Flash International Executive Alert*: “United States – Supreme Court Issues Decision on Health Care Reform Legislation” (2012-123, June 28, 2012) and “U.S. Health Care Legislation Contains Provisions Impacting Assignees” (2010-077, April 1, 2010). *Flash International Executive Alert* is now *GMS Flash Alert*, a publication of the KPMG International member firm in the United States. To obtain a copy of these articles, please contact your local KPMG GMS or People Services professional.

\* \* \* \*

**The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.**

**The information contained in this newsletter was submitted by the KPMG International member firm in the United States.**

**[www.kpmg.com](http://www.kpmg.com)**

**[kpmg.com/socialmedia](http://kpmg.com/socialmedia)**



The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.

© 2017 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159