



FEDERATION OF AMERICAN CONSUMERS AND TRAVELERS - NEWS RELEASE -

FOR IMMEDIATE RELEASE

How the New Health Insurance Law Will Impact Medicare and Medicare Taxes

EDWARDSVILLE, IL, May 18, 2010 - The Federation of American Consumers and Travelers (FACT) has been contacted by its members expressing concern and confusion about how the new Health Care Law will impact Medicare.

Vicki Rolens, managing director of FACT, says "Our association's members want to know exactly how and when Medicare -- and Medicare taxes -- will be affected by the recently enacted health care legislation. They are particularly worried about their taxes going up -- not to mention reductions in Medicare payouts -- and we've done considerable research to separate fact from fiction."

Rolens says it is true that the Medicare payroll tax will go up in 2013. "The present payroll tax for Medicare is 1.45%," she says. "This will increase to 2.35% on any earnings above \$200,000 for single people and on earnings above \$250,000 for married couples filing jointly."

Self-employed persons will need to pay 3.8% on earnings above the thresholds.

"For the first time in history," Rolens says, "earnings from investments will be taxed for Medicare -- another 3.8%, to be exact."

Net investment income includes interest, dividends, royalties, rents, gross income from a trade of business which involve passive activities, and net gain from the sale of property (other than property held in a trade or business).

"As we understand it," Rolens explains, "if a couple has \$200,000 in wages and \$100,000 in net investment income, the new 3.8% Medicare tax will apply to \$50,000 (the difference between \$300,000 combined earnings and the \$250,000 threshold for joint filers)."

The government further intends to pay for its health care package by reducing payments to Medicare Advantage. The reduction in payouts will total \$132 billion over 10 years. Medicare payments for home health care will also be reduced (\$40 billion), as will certain payments to hospitals (another \$22 billion).

Rolens says that FACT plans to analyze other provisions of the health insurance legislation, and to explain them in future bulletins.

"FACT isn't in the business of offering tax or financial advice," Rolens added, "and we hope everyone checks with his or her own professional advisor or planner in order to fully understand and be ready for the new legislation's many implications."

This news release has been issued by the Federation of American Consumers and Travelers (FACT), a consumer organization formed under the not-for-profit corporation laws of the District of Columbia in 1984. FACT serves more than 1 million consumers nationwide. Additional information on FACT may be found in the Encyclopedia of Associations, and by visiting the association's Web site (www.usafact.org). Informative, unbiased news bulletins are regularly disseminated by FACT to help its members remain current on matters which might seriously impact their lives. The association does not offer support to -- and does not receive support from -- any political party or movement. In addition to publishing consumer-related reports, the association provides more than 30 benefits for its members, ranging from medical insurance and dental discounts to prescription drug savings and scholarships. FACT's administrative office is located at 318 Hillsboro Avenue, Edwardsville, IL 62025

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