



## **THE CASE FOR REPEAL: UNAFFORDABLE FACTS ABOUT THE PATIENT PROTECTION AND AFFORDABLE CARE ACT**

Small-business owners remain deeply concerned that the healthcare law costs too much and further jeopardizes the economic recovery of our nation's job creators. In fact, more than 90 percent of them favor repeal of the new law.

The healthcare law actually makes things worse for small business and will lead to continued economic uncertainty. Government needs to get out of the way of small businesses, so they can get back to growing their business and creating jobs.

### **New, Expensive Taxes:**

New taxes mean less money being re-invested into the business, into employees and into growing and expanding. Small businesses already pay 66 percent more in tax compliance than larger businesses. This law levies \$570 billion in new taxes, some of the most egregious include:

- 1. Health Insurance Tax** – This new tax is structured as an annual fee on insurers that will be placed on the plans small businesses buy. The annual “fee” doesn’t expire and begins at \$8 billion in 2014 and steadily increases to more than \$14.3 billion. Early estimates from policy analysts show family premiums are expected to go up at least \$500 per year.
- 2. 1099 Reporting** – Businesses will have to send Form 1099s for every business-to-business transaction of \$600 or more – a tremendous new paperwork burden that will add new costs on businesses and take them away from growing their business.
- 3. Tanning Tax** – A new 10 percent tax on tanning services that could hit an estimated 18,000 small businesses nationwide. The tax jeopardizes thousands of jobs and unfairly hits working women and college students, who comprise the majority of indoor tanning customers.
- 4. Cadillac Tax** – The government will collect a 40 percent tax on health coverage that costs more than what the government deems “appropriate.” Small businesses typically pay upward of 18 percent more than others for health insurance. The tax is indexed for general inflation (not healthcare costs) so, as healthcare costs continue to rise, more and more people will be forced to pay this tax each year.
- 5. Medicare Payroll Tax** – Medicare payroll taxes will increase to 2.35 percent and, for the first time, allows funds designated for Medicare to be spent elsewhere. This establishes a dangerous precedent to use this tax on small businesses to pay for other programs.

### **New Government Mandates:**

Increasing healthcare coverage for more Americans is a laudable goal, but expanding coverage by chipping away at the freedoms afforded to individuals and small-business owners in the U.S. Constitution is unacceptable. The law contains a complex employer mandate requiring some firms to provide insurance, pay expensive penalties or both. This structure ultimately creates perverse incentives for hiring and growing. The individual and employer mandates in this law are bad for small employers, bad for low-income workers, and bad for the economy.

- 1. Individual Mandate** – All U.S. citizens and legal residents must have “qualifying” health coverage or pay penalties starting in 2014. Requiring every individual to purchase health insurance or face a fine is an unprecedented and unconstitutional act of Congress. This is the first time the government is telling individuals they have to do something simply because they are alive. NFIB has filed a lawsuit with 20 states challenging the constitutionality of this provision. If the individual mandate is upheld, there would be little, if any, limit to what the federal government could require individuals and businesses to do.
- 2. Employer Mandate** – The employer mandate imposes costly and confusing penalties on businesses with more than 50 full-time employees or full-time equivalents. It adversely affects small employers by raising payroll costs, eroding competitive positions, and increasing operating costs, making it particularly difficult for firms operating on small margins. Adding one new employee or having one more employee qualify for insurance subsidies can result in employer penalties of thousands of dollars. This structure gives businesses a powerful incentive to downsize, replace full-time employees with part-timers, or outsource.

### **Flexibility Gone, Choices Limited:**

Instead of offering reforms that provided more choice and greater flexibility, the new law leaves small-business owners with even less choice than they had previously. In a time when small businesses are already encumbered by an expensive and uncompetitive market, eliminating once-affordable options or setting the rules so as to price small businesses out of the market will harm the economic outlook for small businesses. Small businesses don't need greater economic uncertainty and unpredictability.

- 1. Cancelled Plans** – In addition to increased rates, now small businesses have to worry about whether their plan will even exist because of the new healthcare law.
- 2. Drastic Changes to HSA/FSA accounts** – Starting in 2011, OTC medicines other than insulin will no longer be eligible for reimbursement from an FSA account unless the item is prescribed by a doctor. Also included are new caps on contribution amounts for what was once an encouraged choice for small businesses.
- 3. Grandfathering** – New and restrictive rules have been set by the government on what changes small employers can make to try to keep up with the ever-increasing cost of plans. These rules make it harder for small firms to “keep what they've got,” driving them to absorb huge cost increases or, worse, being forced to buy even more expensive products.