



The Patient Protection And Affordable Care Act (H.R. 3590):

More Mandates, More Taxes, More Paperwork for Franchised Small Businesses

A tax on small business health insurance plans

Messaged as a “health insurance fee,” this tax is actually a direct tax on small business. The new \$7 billion annual tax is structured as a fee on insurers. However, one thing insurers have made clear throughout the healthcare debate: new taxes on them mean new costs passed along to customers. The group that experiences the most cost-shifting is those in the fully-insured market.

- The tax exempts self-insured employers, meaning that the costs will fall on the fully-insured market – the market where nearly all of small businesses buy their insurance.
- Placing a tax on the very insurance products (small business health insurance plans) that already have the highest (and most volatile) cost increases does not help to reduce the cost of health insurance for small businesses.

Increased paperwork leads to increased costs on small businesses

The so-called “corporate reporting” requirement will place a new and enormous tax-filing burden on all small business owners. The cost of complying with the new filing requirements will increase the cost of doing business and falls disproportionately on small business owners.

- The costs associated with tax paperwork—more than \$74 per hour—is the most expensive paperwork burden that the federal government imposes on small business owners.
- The cost of tax compliance falls heavily on small business and is 66 percent higher for a small business compared to a large business.

An unprecedented increase in Medicare payroll tax

Since its creation, payroll taxes that fund Medicare programs have been dedicated specifically to funding Medicare. H.R. 3590 increases the Medicare payroll tax, uses the additional revenue to pay for non-Medicare programs, and creates a precedent to use payroll taxes to pay for more non-Medicare programs in the future.

- Since the majority of small business owners pay their taxes at the individual rate this tax will hit the business income of many small business owners.
- The businesses most likely to see the tax increase are those that employ between 20 to 200 workers. These businesses account for more than one-quarter of the American workforce.

Targeted mandate on the construction industry

Under the revised bill, companies involved in the construction industry are required to provide coverage or pay penalties if they have more than five (5) employees and a payroll that exceeds \$250,000. A firm size exemption of 50-employees or less applies for all other industries.

- The narrowly focused mandate is an unprecedented assault on the construction industry, and especially to the men and women who own and operate small construction firms.
- In an industry where the unemployment rate is exceeding 18 percent, and struggling to overcome historic job losses, this is NOT the reform our nation’s construction industry needs or can afford.