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## **HEALTH INSURANCE UPDATE**

In last month's newsletter, we told you about a new Florida law intended to provide relief to small businesses needing health insurance. The new law will allow small businesses to use Health Savings Accounts (HSA's) to pay for needed medical treatment. These HSA's would work together with a large deductible health insurance policy. Since a high deductible policy would only cover major surgeries or catastrophic injuries, employees could use a Health Savings Account to pay for prescriptions and routine wellness visits to their doctor. Floridians for Healthcare Choices has provided the following information about Health Savings Accounts:

- **What are the qualifications for an HSA?** An HSA policy must have a deductible of at least \$1,000 for individuals and \$2,000 for families. The consumer cannot be eligible for Medicare or be claimed as a dependent by another person. Otherwise, anyone is eligible.
- **How do I know if an HAS will benefit me?** By studying your spending on health care, a customer can determine whether he or she is currently spending more on premiums, co-payments and out-of-pocket expenses than he or she is receiving in benefits. Furthermore, comparing the estimated total out-of-pocket expenses under a plan with a higher deductible against the savings that would be received on insurance premiums can determine total savings. For a calculator to help determine your savings, you can visit the Floridians for Healthcare Choices' website at [www.saveforyourhealth.com](http://www.saveforyourhealth.com) and click on Calculator.
- **What are the tax benefits of an HSA?** All money contributed to an HAS (up to your deductible or federal statutory maximum) is tax-deductible, while any interest accrued is not taxable.
- **How long is money from my HSA available for use?** Once the money is in the HSA account, it is available for health care use. The funds will accrue interest for the duration of the consumer's lifetime.
- **How will HSA's benefit uninsured and underinsured workers?** HSA's provide a more cost-effective way for employers to offer high-deductible health plans to employees, while employees will have more incentive to save money for medical expenses. Plus, if a consumer is unemployed or laid off and is collecting unemployment insurance benefits, the consumer's health insurance premium can be paid – tax-free – using HSA savings.
- **How does an HSA policy give more power to Floridians who may need substantial medical treatment?** With an HSA policy, a person would be better empowered to make his or her own decisions regarding treatment and prescription drugs, rather than being locked into a particular course of treatment, as is often the case with HMO's.
- **Which medical expenses are covered for use under the HSA savings account?** A list of allowable and not allowable expenditures can be downloaded from the Floridians for Healthcare Choices' website at [www.saveforyourhealth.com](http://www.saveforyourhealth.com).
- **Can funds in the HSA savings account be used for non-medical expenses?** Yes, but payment of income tax will be required, along with a 10 percent penalty for non-medical withdrawal prior to age 65.

- **Will HSA's lower health care costs?** HSA's, if implemented effectively, will help employers and individuals better manage their health care expenses, which could ultimately affect the cost of those medical expenses based on the laws of supply and demand.

The Coalition for Healthcare Choices is conducting a series of town-hall events across the state to educate Floridians on the benefits of Health Savings Accounts. Events have already been held in St. Petersburg, Orlando and Jacksonville. Upcoming locations are:

- July 14 in Broward County
- July 15 in Escambia County
- July 27 in Alachua County
- July 28 in Sarasota County  
1:00 – 2:00 p.m., New College of Florida  
Sudakoff Conference Center  
5700 N Tamiami Trail
- July 30 in Lee County  
10:00 – 11:00 a.m., Edison College, Lee Campus  
Corbin Auditorium, Room 103, Building J  
8099 College Pkwy SW

For more details on the above meetings, or to reserve a spot at one of them, visit [www.saveforyourhealth.com](http://www.saveforyourhealth.com) or call Floridians for Health Care Choices at 1-866-251-3403 .

## **“HAPPY SHOPPER” TAX-FREE DAYS BEGIN THIS MONTH**

Do you sell books? Clothes? What about school supplies? If so, you will need to learn about Florida's Sales Tax Holiday, which is July 24<sup>th</sup> through August 1<sup>st</sup>. During these 9 days, many popular back-to-school items will be exempt from the Florida sales tax. Tax-free items include:

- Books that sell for \$50.00 or less. Newspapers, magazines, and audio books are not included (meaning they will still be taxed). This is the first year that books will be tax exempt.
- Clothes, footwear, and certain accessories that sell for \$50.00 or less. Clothes include anything you wear on the body, except for watches, jewelry, and sporting equipment.
- School supplies that sell for \$10.00 or less. This includes pens, pencils, erasers, crayons, notebooks, filler paper, legal pads, composition books, scissors, tape, glue, computer disks, and

calculators. This will be the first year that books are tax exempt.

The Florida Department of Revenue has prepared a Taxpayer Information Bulletin on the sales tax holiday that lists all taxable and tax-exempt items, as well as examples on how to handle (1) gift certificates, (2) articles normally sold as a unit, (3) sets containing both exempt and taxable items, and (4) buy one/get one free. If you are a sales tax dealer, you should be receiving a copy of this bulletin from the Department. If you did not receive a copy, please call the FUBA offices and we can fax or mail one to you.

## **ARE YOU WORKING ILLEGALLY?**

Effective January 1, 2004, sole proprietors and partners in the construction industry are no longer exempt from workers' comp coverage. If you are a sole proprietor or partner who works in the construction industry, you have 2 choices. You can either (1) become covered by a workers' comp policy or (2) form a corporation or Limited Liability Company and renew your exemption. **If you have not done either of these things, you are working illegally and need to take immediate action to comply with the new law.**

If you wish to be exempt, you will need to form either a corporation or a Limited Liability Company (“LLC”). Both of these types of companies can exempt up to 3 of their owners, as long as they can prove they own at least 10% of the company.

Under state law, a corporation is required to adopt bylaws, issue stock, have annual meetings, and keep minutes of those meetings. The annual fee to the State to keep the corporation active is \$150. The corporation is responsible for paying corporate income tax. An LLC is not required to have bylaws, stock, annual meetings or minutes. The annual fee to the State to keep the LLC active is \$50. With an LLC, you can choose whether to pay income tax as a sole proprietor, partnership, or corporation (depending on how many owners the LLC has).

FUBA can help you set up either a corporation or an LLC and provide you with the forms necessary to get your workers' comp exemption. We charge \$200 to form a corporation (\$150 for members) and \$300 for an LLC (\$250 for members). Please note that we cannot give you legal advice about which option is best for you. If you are interested, please call the FUBA offices at 800-262-4483 and ask for Keli or Lance.