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Overview of the tax provisions in the 2010 Medicare and Pension Relief Act

On June 25, 2010, the President signed into law the "Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010," which includes a six-month so-called "doc-fix," pension funding relief, and an anti-Medicare fraud information disclosure measure. Here's a brief overview of the new law.

The doc-fix

Medicare physician payment rates were scheduled to be reduced by more than 20% in June of this year. The so-called doc fix in the new legislation reverses that reduction and provides a 2.2% update to physician payment rates through Nov. 30, 2010.

Pension funding relief

The Act pays for the "doc fix" in part by providing for pension funding relief, namely temporary, targeted funding relief for single employer and multiemployer pension plans that suffered significant losses in asset value due to the steep market slide in 2008. The theory for the revenue offset is that funding relief will increase employers' taxable income thereby boosting government revenue.

Single employer plan funding relief measures include:

- *Extended period for single employer defined benefit plans to amortize certain shortfall amortization bases.* The Act will permit single employer defined benefit plan sponsors to elect: (1) an extended 9-year amortization period for certain funding shortfalls, with interest only being paid in the first 2 years; or (2) a 15-year amortization period. The plan's funding obligation for a plan year will be increased if the sponsoring employer makes excessive employee or shareholder payments. The provision generally will allow plan sponsors to elect relief for up to two plan years during the four-plan-year period from 2008 to 2011.
- *Application of an extended amortization period to plans subject to prior law funding rules.*
- *Lookback for underfunded plan's benefit restrictions.*
- *Special lookback credit balance rules for plans maintained by charities.*

Multiemployer plan funding relief measures include:

- *Adjustments to current funding standard rules, such as extended "smoothing" periods for losses incurred during the period of economic decline, and expanded asset valuation corridors.*
- *Extension of certain amortization periods.*



These changes generally are effective the first day of the first plan year ending after Aug. 31, 2008. However, any plan election under the funding relief rules that affects the plan's funding standard account for the first plan year ending after Aug. 31, 2008, must be disregarded for purposes of applying the provisions of the additional funding rules for multiemployer plans in endangered status or critical status.

Anti-Medicare fraud information disclosure measure

The Act also raises revenue by creating a CMS (Centers for Medicare and Medicaid Services)-IRS data match provision to identify fraudulent Medicare providers. Under pre-Act law, CMS and IRS were not authorized to exchange information for the purposes of fighting Medicare fraud and screening potential new providers. The Act aims to help identify potentially fraudulent providers sooner by authorizing CMS to collaborate with IRS to determine whether providers applying to enroll or re-enroll in Medicare have delinquent tax debts.

We hope this information is helpful. If you would like more details about any aspect of the new legislation, please do not hesitate to call.