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WASHINGTON (AP) -- The Supreme Court's decision to uphold most of President Barack Obama's health care law will come home to roost for most taxpayers in about 2 1/2 years, when they'll have to start providing proof on their tax returns that they have health insurance.

That scenario puts the Internal Revenue Service at the center of the debate, renewing questions about whether the agency is capable of policing the health care decisions of millions of people in the United States while also collecting the taxes needed to run the federal government.

Under the law, the IRS will provide tax breaks and incentives to help pay for health insurance and impose penalties on some people who don't buy coverage and on some businesses that don't offer it to employees.

The changes will require new regulations, forms and publications, new computer programs and a big new outreach program to explain it all to taxpayers and tax professionals. Businesses that don't claim an exemption will have to prove they offer health insurance to employees.

The health care law "includes the largest set of tax law changes in more than 20 years," according to the Treasury inspector general who oversees the IRS. The agency will have to hire thousands of workers to manage it, requiring significant budget increases that already are being targeted by congressional Republicans determined to dismantle the president's signature initiative.

"Knowing the complexity of the health law, there's no question that the IRS is going to struggle with this," said Rep. Charles Boustany Jr., R-La., chairman of the House Ways and Means oversight subcommittee. "The IRS wants more resources. Well, we need to start digging down into what are they doing with the resources and personnel."

Treasury spokeswoman Sabrina Siddiqui said, "The overwhelming majority of funds used by the agency to implement the Affordable Care Act go to administer the premium tax credits, which will be a tax cut averaging about \$4,000 for more than 20 million middle-class people and families."

The Supreme Court, in its 5-4 ruling, upheld the mandate that most Americans get health

insurance. The majority said Congress has the power to enforce the mandate under its taxing authority. The decision labeled the penalties a tax, noting that they will be collected by the IRS.

Those who don't get qualified health insurance will be required to pay the penalty - or tax - starting for the 2014 tax year, unless they are exempt because of low income, religious beliefs, or because they are members of American Indian tribes.

The penalty will be fully phased in by 2016, when it will be \$695 for each uninsured adult or 2.5 percent of family income, whichever is greater, up to \$12,500. The nonpartisan Congressional Budget Office estimates that 4 million people will pay the penalty that year.

The law, however, severely limits the ability of the IRS to collect the penalties. There are no civil or criminal penalties for refusing to pay it and the IRS cannot seize bank accounts or dock wages to collect it. No interest accumulates for unpaid penalties.

So how can the IRS enforce the mandate? Scary letters and threats to withhold tax refunds.

The law allows the IRS to withhold tax refunds to collect the penalty, and most filers get refunds. This year, 77 percent of the 135 million individual income tax returns processed by the IRS qualified for a refund. The average refund: \$2,707.

For those who don't qualify for a refund, a stern letter from the IRS can be effective, even if it doesn't come with the threat of civil or criminal penalties, said Elizabeth Maresca, a former IRS trial attorney who supervises the Tax & Consumer Litigation Clinic at the Fordham University law school.

"Most people pay because they're scared, and I don't think that's going to change," Maresca said.

The IRS has not yet issued procedures for taxpayers to prove they have insurance. But IRS Commissioner Douglas Shulman, in a 2010 speech, said he envisioned a process similar to the one used by taxpayers to report interest or investment income.

Under this scenario, an insurance company would send the taxpayer and the IRS forms each year verifying that the taxpayer has qualified insurance. Taxpayers would file the forms with the IRS along with their returns, and the IRS would check them to make sure they match the information supplied by the insurance companies.

The IRS says it is well on its way to gearing up for the new law but has offered little information about its long-term budget and staffing needs, generating complaints from Republican lawmakers and concern from government watchdogs.

The IRS is expected to spend \$881 million on the law from 2010 through 2013, hiring more than 2,700 new workers and upgrading its computer systems. But the IRS has not made public information about its spending plans in the following years, when the bulk of the health care law takes effect.

The lack of information makes it impossible to determine whether the IRS will have adequate workers to enforce the health care law, the Treasury inspector general for tax administration said in a report three weeks ago. The report, however, concluded that "appropriate plans had been developed to implement tax-related provisions" of the law.

In 2010, House Ways and Means Committee Republicans issued a report saying the IRS may need as many as 16,500 additional auditors, agents and other employees "to investigate and collect billions in new taxes from Americans."

That assessment has been widely cited by opponents of the law. The IRS disputes the jobs number but hasn't offered another one.

"That is a made-up number with no basis in fact," IRS spokesman Dean Patterson said in an email. "The 2012 budget calls for about 1,200 employees for the IRS to implement the (Affordable Care Act), and the vast majority of those employees are needed to build technology infrastructure to support payments like the new tax credits for individuals and small businesses."

Republicans on the House committee have accused the IRS of obscuring its cost of putting in place the health care law by absorbing it into other parts of the agency's budget. They cite a June report by the Government Accountability Office that said the IRS has not always accurately identified spending related to the new health care law.

"The agency's repeated lack of transparency to Congress and its failure to provide accountability to the American taxpayers raises fundamental concerns about implementation authorities vested to the IRS," the top four Republicans on the Ways and Means Committee wrote in a June 27 letter to the IRS commissioner.

The committee chairman, Rep. Dave Camp, R-Mich., has scheduled a hearing on the tax implications of the Supreme Court's ruling for Tuesday.