

## POWER PLAY 1: IT'S LESS COSTLY TO PLAY RATHER THAN PAY.

### BREAKDOWN:

- » The \$2,000 penalty is not tax deductible. For a taxpayer at a combined 40% federal/state income tax rate, the \$2,000 penalty hits the P&L equivalent to a \$3,333 expense.
- » The \$3,000 penalty hits the P&L in the above situation as an equivalent \$5,000 expense.
- » A \$5,000 health insurance expense (the equivalent of the employer paying 100% of a \$417 monthly single premium) has a net impact on the P&L of \$3,000 because it's tax deductible.
- » Most staffing firms should be able to secure coverage that takes them out of both the \$2,000 and \$3,000 penalties for less than \$400/month. Furthermore, the number of employees taking coverage will be far fewer than the number for the penalty.