

Silver Advantage Tax Alert

Affordable Care Act -- Four Important Tax Updates February 2015

Penalty Relief Provided for Small Employers

In November, we reported that the Department of Labor (DOL) had issued a notice stating that an employer who provides a cash reimbursement to an employee for the purchase of an individual insurance policy is in violation of the Affordable Care Act (ACA), regardless of whether the reimbursement is done on a **pre-tax or after-tax basis**. It quickly became apparent that this was going to affect a number of small employers. Therefore, last week, the Internal Revenue Service (IRS) issued Notice 2015-17 offering penalty relief for 2014 as well as the first six months of 2015.

The penalty relief applies to small employers (as defined by the ACA) who either paid or reimbursed employees for individual health policy premiums and for certain other employer arrangements that the IRS defines as an employer payment plan. The relief does not apply to stand-alone Health Reimbursement Arrangements (HRAs) or other arrangements to reimburse employees for medical expenses other than insurance premiums. Now, the IRS is giving employers additional time to obtain group insurance or adopt a suitable alternative. After June 30, 2015, employers may once again be liable for penalties. Please contact us if this potential liability applies to your company in order to take advantage of this additional window of opportunity to make your plan compliant.

Transition Relief for S Corporation Healthcare Arrangements for 2% Shareholder-Employees

There has been much confusion about how, or if, the ACA market reforms apply to S Corporation shareholders who own a 2% or greater interest in the S Corporation and their health care arrangements. As a result of this confusion, the government is contemplating publishing additional guidance about this issue. However, until the new guidance can be issued, we are continuing to rely on the prior guidance. This means that, at a minimum, there will be no ACA penalties assessed as a result of having a 2% shareholder-employee healthcare arrangement through the end of 2015.

Clarification of Treatment of Medicare Premiums

Also, as part of Notice 2015-17, the IRS provided clarification on the treatment of Medicare premium reimbursement arrangements. This is another area that has been the subject of significant confusion. The IRS has clarified the fact that the reimbursement of Medicare Part B or Part D premiums for employees constitutes an employer payment plan subject to market reforms, similar to the individual insurance policies. However, if the reimbursement of the Medicare premiums is properly integrated with a group health plan offered by the employer, it will be in compliance with the ACA.

Special Enrollment Period Offered for HealthCare.gov

Did you incur a penalty on your personal 2014 tax return because you did not have health insurance? And, did you learn about this after the end of the 2015 open-enrollment period? If so, relief is on the way!

Late last Friday, the federal government announced a special enrollment period that begins March 15 and ends April 30, 2015, for certain individuals that meet the following criteria:

- You must be in one of the states that uses HealthCare.gov for enrollment (this includes Illinois).
- You must pay the penalty for 2014.
- You must attest that you didn't know about the penalty prior to filing your income tax return.

In addition, many states with state run exchanges are offering a similar special enrollment period.

If you have questions or need additional information about any of these topics, please do not hesitate to contact us.