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Health Care-Related Tax Provisions That Affect Businesses





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Federal Agency Roles

Dept. of Health & Human Services (HHS)

- Lead Federal Agency
 - Health Insurance Coverage
 - Financial Assistance
 - Health Policy
 - Education

Internal Revenue Service (IRS)

- Administers Tax Provisions, including Credits





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Tax Professionals

- Educate clients on ACA tax provisions and on how to obtain non-tax healthcare information
- Provide assistance on tax requirements
- Assist in preparation of tax returns
- Section 7216 requirements apply





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Resources

- IRS website: [IRS.gov/aca](https://www.irs.gov/aca)
- HHS website: [Healthcare.gov](https://www.healthcare.gov)
- SBA website: [SBA.gov/healthcare](https://www.sba.gov/healthcare)
- DOL website: [DOL.gov/ebsa/healthreform](https://www.dol.gov/ebsa/healthreform)





What employers need to know...

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- Transition Relief for 2014 under §6056, 6055 and 4980H
- Applicable Large Employer (ALE) Status
- Tax provisions for Applicable Large Employers (ALEs):
 - Information Reporting for ALE (§6056)
 - Employer Shared Responsibility Provisions (§4980H)
- Tax provisions for Small Employers
 - Small Business Health Care Tax Credit (§45R)
- Tax provisions for all employer that sponsor self-insured plans regardless of size:
 - Reporting of Minimum Essential Coverage (§6055)





What employers need to know...

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How to determine whether they are an Applicable Large Employer (ALE)

Definition of an ALE:

- Average of 50 or more full-time employees and full-time equivalents in the past calendar year
- Full-time = Per calendar month, average of at least 30 hours of service per week **OR** 130 hours of service per calendar month





What employers need to know...

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① **Full-time Employees**
(Employees who average, per calendar month, 30 hours of service per week or 130 hours of service per calendar month)

and

② **Full-time Equivalent Employees**
(Aggregate hours of service by non-full-time employees (max of 120 hours of service per employee) divided by 120, per month)

Qty

+

Qty

Sum

Employer is ALE if sum is \geq 50 per month for the prior calendar year¹

¹See Proposed Treasury Regulation §54.4980H-2 and -3 for examples of controlled group rules and seasonal worker exceptions in determining whether an employer is an ALE.



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ALE Example:

- Company X has 40 full-time employees and 20 part-time employees
- The 20 part-time employees each work 60 hours per month
- The 20 part-time employees equal 10 full-time equivalent employees
- Company X has 50 full-time employees and is an ALE and subject to the employer shared responsibility provisions.





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Special counting rules in determining whether an employer is an ALE:

Aggregation Rule: Certain affiliated employers with common ownership or that are part of a controlled group, must **aggregate** their employees to determine if they are an ALE

Example:

- For 2015 Corporation X owns 100% of all classes of stock of Corporation S and Y
- For every month in 2015, X has no employees, S has 40 full-time employees and Y has 60 full-time employees
- X, S and Y are a controlled groups of corporation under IRS rules and have a combined total of 100 full-time employees
- In 2016, they are considered an ALE and each is considered to be an Applicable Large Employer Member





What large employers need to know for 2015...

- Employers that are considered an Applicable Large Employer (ALE) or Applicable Large Employer Member are subject to:
 - New information reporting requirements (§6056)
 - Employer Shared Responsibility Provisions (§4980H)

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What large employers need to know for 2015...

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Beginning 2016, ALEs and ALE members must, for 2015:

- File an annual information return with the IRS and send a copy to each employee:
 - Coverage offered
 - Lowest premium cost
 - Full-time employees
 - Information displayed by month





What large employers need to know for 2015...

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ACA does not require an employer to provide coverage to its employees. However, *an applicable large employer or applicable large employer member* could be subject to a Employer Shared Responsibility Payment if:

- The employer does not offer coverage to at least 95% of its full-time employees (and their dependents).

OR

- The employer offers coverage to its full-time employees that is not “affordable” or does not provide “minimum value”.

AND

At least one full-time employee receives a Premium Tax Credit to purchase coverage in a Health Insurance Marketplace.





What large employers need to know for 2015...

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Coverage not offered to at least 95% of the full-time employees

- Payment applies if any full-time employee receives a premium tax credit in Marketplace.
- Payment owed: \$2K/year per full-time employee ABOVE 30.
- Payment calculated for each month for which coverage not offered = \$166.67/month.

Coverage offered to full-time employees, but either not affordable or does not provide minimum value*

- Payment applies for each full-time employee who received premium tax credit for that month.
- Payment owed: \$3K/year per full-time employee who receives a premium tax credit in Marketplace.
- Payment calculated on monthly basis = \$250/month.
- Payment cannot exceed payment owed if coverage not offered.

* An ALE might also be subject to this payment if it offers coverage to at least 95% but less than 100% of its full-time employees and one or more those who are not offered coverage received a premium tax credit.



What large employers need to know for 2015...

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Payments:

- Employers will not report or include a payment with their tax return
- If the IRS believes based on information it receives that a payment is potentially due, the IRS will contact the employer to review the facts and determine the payment, if any



What small employers need to know...

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- Employer Shared Responsibility Provisions do not apply (less than 50 full-time + full-time equivalent employees)
- May purchase employee coverage through Small Business Health Options Program (SHOP)
- May be eligible for Small Business Health Care Tax Credit (§45R)





What small employers need to know...

Small Business Health Options Program (SHOP) begins October 1, 2013:

- Part of the new Health Insurance Marketplace
- Streamlined way for small employers and small tax-exempt entities to shop for health insurance coverage

Healthcare.gov/marketplace

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What small employers need to know...

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Eligibility for Small Business Health Care Tax Credit (§45R)

Get the credit you deserve, if you are a small employer...

- with fewer than 25 full-time equivalent employees
- pay an average wage of less than \$50,000 a year
- pay at least half of employee health insurance premiums





What small employers need to know...

For 2010-2013:

- Credit up to 35% of premium contribution; 25% for tax-exempt entities
- Employers can still deduct remainder of contribution
- Smaller employers get a larger credit – if average wages are \$25,000 or less
- Credit phases out on a sliding scale

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What small employers need to know...

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Starting in 2014:

- Maximum credit goes up to 50%; 35% for tax-exempt entities
- Must buy coverage through **SHOP**
- Credit can be claimed for 2 consecutive taxable years





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What you need to know for 2015...

New Information Reporting Requirements for Providers (§6055)

Who: Health Coverage Providers

- Health insurers, self-insured employers, sponsors of self-insured plans and governments providing Minimum Essential Coverage (MEC)

What: Information report on MEC actually provided to covered individuals

- Transmit annually to IRS with copy to individual

When: File in 2016 for 2015 tax year

- Filing rules similar to rules for other information returns





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Additional Resources

Tax Provisions

- IRS website: IRS.gov/aca

Other health care-related information

- HHS website: Healthcare.gov
- SBA website: SBA.gov/healthcare
- DOL website: DOL.gov/ebsa/healthreform

