DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF COUNSEL

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The Honorable Elizabeth Esty
U.S. House of Representatives
Washington, DC 20515

Attention:

Dear Representative Esty:

I am writing to follow up on last week's telephone conversation with of your office concerning the reimbursement of premiums for coverage of family members by a union health plan covering husband.

As we discussed by telephone, the IRS recently issued a Chief Counsel Advice memorandum (CCA 201547006) stating that amounts paid to an employee to reimburse health premiums of the employee's spouse may not be excluded from the employee's gross income if a spouse paid those premiums on a pre-tax basis. I am enclosing a copy of this memo for your reference.

We understand that the plan covering husband has indicated, in an apparent response to this CCA, that it will no longer allow participants to get reimbursement for premiums paid on a pre-tax basis. Accordingly, it appears the plan will no longer reimburse husband for the cost of health premiums pays to the extent that these health premiums have been paid with pre-tax dollars (such as through a salary reduction election under a section 125 cafeteria plan).

The Federal Employee Health Benefit Plan (FEHBP) generally provides that the employee's share of premiums are paid pre-tax through "premium conversion." We understand that FEHBP does allow employees to waive premium conversion during open season and pay the employee share on an after-tax basis.

I hope this information is helpful. If you have questions, please contact me at or at .

Sincerely,

Christine Ellison, Acting Chief
Health and Welfare Branch
Office of Associate Chief Counsel
(Tax Exempt and Government Entities)

Enclosure