New IRS Penalty Relief for Small Employer Health Insurance Premium Payment Plans

[fusion_text]Business owners nationwide have been scrambling to find ways to



adhere to the rules and regulations set forth in the Affordable Care Act (ACA),which was enactedin 2010. Of course, many of the provisions regulating small businesses and theirowners did not come into effect until 2015, although thisstill presented significant challenges for many. Specifically, one of the challenges that small businesses face iscovered in Section 4980D of the Internal Revenue Code (IRC). This section details a potential tax on an employer whose group health plan fails to comply with the ACA, which could result in massive penalties for violators. Fortunately, the Internal Revenue Service has provided penalty relief for some employers in a recent notice. **Section 4980D and Relief Offered in Notice 2015-17** According to Section 4980D, an excise tax will be levied on an employer for any "failure of a group health plan to meet the requirements" of the law. The tax may amount to $100 per employee for each day of the violation. Unfortunately for many businesses, a benefit arrangement commonly used by business owners has been deemed non-compliant with the ACA. Often, a business will reimburse an employee for health insurance premiums associated with non-employer-sponsored insurance, or will pay for the premiums directly. These payments are excluded from the employee's gross income. In a previous notice, the IRS concluded that these arrangements, referred to as "employer payment plans," are group health plans subject to the ACA. Employer payment plans do not comply with all ACA mandates, so offering the plan subjects an employer to the 4980D penalty. This has posed a problem, in that many employers have been utilizing employer payment plans to pay for their employees' health insurance premiums. These employers may have been unaware that their actions would be targeted by this section of the IRC, subjecting them to penalties of up to $100 per day per employee. **IRS Offers Temporary Relief** To remedy this confusion, and to offer temporary relief for some smaller employers, the IRS delivered another notice on the issue. In general, an employer with fewer than 50 full-time employees in 2013 will not be penalized for using an employer payment plan in 2014; and an employer with fewer than 50 full-time employees in 2014 will not be penalized for using an employer payment plan in 2015 until June 30, 2015. This relief may seem like a boon to many employers who were facing potential penalties from the IRS. In reality, however, it provides only a small window of time to continue employer payment plans without penalty. Don't let June 30th arrive without confirming your abidance by the ACA! Rather, you should reach out to a tax and/or health care attorney immediately for help examining your health plan and for advice on how to proceed in the future. Seigfreid Bingham has many tax and health care attorneys. You can learn more about their Kansas City health care attorneys here. Image: Thinkstock/GaryPhoto *This article is very general in nature and does not constitute legal advice. Readers with legal questions should consult with an attorney prior to making any legal decisions.[/fusion_text]