

# BenefitsBuzz

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## DID YOU KNOW?

On May 13, 2014, the Internal Revenue Service (IRS) released [FAQs](#) addressing the dependent coverage requirement of the employer shared responsibility rules.

The IRS stated that an employer may be liable for an employer-shared responsibility penalty only if a full-time employee receives a premium tax credit for Exchange coverage. Whether or not a full-time employee's dependents receive a premium tax credit does not affect an employer's liability.

Transition relief may be available for the 2014 and 2015 plan years for employers that are taking steps to offer dependent coverage.

## Penalties for Pre-tax Contributions to Employee Individual Health Premiums

On May 13, 2014, the Internal Revenue Service (IRS) issued FAQs addressing the consequences for employers that provide employer payment plans. The IRS clarified that these arrangements do not comply with the Affordable Care Act's (ACA) market reforms and are subject to an excise tax.

Employer payment plans are arrangements in which employers reimburse employees on a pre-tax basis for individual health insurance premiums, whether inside or outside of an Exchange. Some employers have considered doing this to help employees pay for individual health insurance policies instead of offering an employer-sponsored health plan.

However, under IRS Notice 2013-54, these premium payment arrangements are considered employer payment plans,

a type of group health plan subject to the ACA's reforms. Because employer payment plans do not comply with the ACA's regulations, the IRS indicated in the FAQs that these arrangements may be subject to an excise tax of \$100 per day for each applicable employee (\$36,500 per year per employee) under Code Section 4980D.

An employer payment plan generally does not include an arrangement under which an employee may have an after-tax amount applied toward health coverage, or in which the employee may take that amount in cash compensation. Thus, premium reimbursement arrangements made on an after-tax basis will still be permitted.

## New Employer SHOP Tools Introduced

On April 23, 2014, the Department of Health and Human Services (HHS) released two new tools for small employers purchasing coverage through a Small Business Health Options Program (SHOP) Exchange.

- The SHOP Tax Credit Estimator
- The SHOP Full-time Equivalent Calculator

These [two new SHOP tools](#) can help estimate whether an employer is eligible to participate in the SHOP and whether the employer can receive tax credits for premium contributions.

The results produced by these tools are only estimates that are based on current IRS guidance, and the tools will be updated to reflect any changes to IRS guidance or regulations.