

Pro@ctive CPA
Interact With Your Accountant
Memorandum

To: Clients, Friends, Family & Associates of Pro@ctive CPA
From: Mark L. Wyssbrod, Managing Member
Date: August 1, 2013
Re: Affordable (Health) Care Act Update

As you may already have read or heard in the news a few aspects of the Affordable (Health) Care Act have been delayed in implementation. I have listed these items below. Please note most of the requirements, regulations and penalties are still in place!

Aren't small businesses exempt?

Most small businesses, less have 50 full-time employee equivalents, are generally exempt from the regulations. However, action may still be necessary, not for your business, but for your employees.

What should small businesses be doing?

I have been in several group meetings, as well as one-on-one discussions, with employee plan specialist and health insurance brokers. The feedback I have received is employers who have less than 50 employees may want to cease having an employer group health insurance plan. This sounds a little eccentric at first, but the reason is the group health insurance plan you offer to your employees might be more expensive than the state exchange health insurance plan.

If the employee has an option to participate in a group health insurance plan and does not, they receive no or minimal subsidies for the state exchange. However, if you no longer offer a group health insurance plan than the employee can receive large subsidies (depending on their income).

You can still have pre-tax employee benefit plans in place to allow your employees to purchase individual health insurance policies. You would need to consult with an employee benefits specialist.

Since all small businesses offer different benefits and have different staff with different medical needs it is important to have a full study and become educated before implementing any changes. Please let me know if we can be of assistance.

IRS postpones certain provisions of the Affordable Care Act until 2015

Notice 2013-45 states that the information reporting requirements under §6055 and §6056 will not be effective until 2015.

In addition, Notice 2013-45 states that the IRS will not penalize employers under §4980H(a) for failing to provide employees with minimum essential health insurance coverage during 2014. Finally, Notice 2013-45 says that, for 2014, the IRS will not penalize employers under §4980H(b) where the employer provides minimum essential

Pro@ctive CPA

Interact With Your Accountant

health insurance coverage, but, the coverage is unaffordable or does not provide minimum value.

IRS Notice 2013-45 postpones the following portions of the Affordable Care Act from being effective in 2014 to being effective beginning 2015.

- Section 6055 requiring annual information reporting by health insurance issuers, self-insuring employers, and other providers of health coverage,
- Section 6056 requiring annual information reporting by employers, with 50 or more full-time employees, about the health insurance they do (or do not) offer to their full-time employees,
- Section 4980H(a) imposing a penalty on employers with 50 or more full-time employees that do not offer minimum essential health insurance coverage,
- Section 4980H(b) imposing a penalty on employers with 50 or more full-time employees that offer minimum essential health insurance coverage, but the coverage is unaffordable or does not provide minimum value,

Affordable Care Act portions still to be effective in 2014

The following are portions of the Affordable Care Act which will first be implemented in 2014:

- Section 5000A imposing a penalty for individuals who do not have minimum essential health coverage. This penalty is to be calculated on and is to be paid with an individual's 1040 income tax return, and
- Section 36B providing a refundable premium assistance credit (PAC) for individuals with household incomes from 100% to 400% of the Federal Poverty Level who purchase health insurance through a qualified insurance exchange.

Please note: Notice 2013-45 does not postpone effective dates of other provisions

IRS says that the transition relief provided by Notice 2013-45 has no effect on the effective date or application of other Affordable Care Act provisions. Therefore, Notice 2013-45 does not postpone the effective date of the penalty under §5000A on individuals who do not have proper health insurance coverage or the §36B premium assistance tax credit.

Conclusion

This is a complicated new set of regulations for small businesses. Thankfully, most small businesses (50 full time employee equivalents or less) will not be subject to the Affordable Care Act provisions. Action may still be required. Before any action is taken you need to meet with your team of trusted advisors and fully understand the implications of new regulations.

Pro@ctive CPA

Interact With Your Accountant

Please contact me should you have any questions and/or if we can assist you in this matter.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.