Health Care Reform
Employer Insurance Requirement

2016

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News Item: Delay in Employer Mandate

Under the original health care reform law, the employer requirement to provide minimum essential coverage was set to begin on January 1, 2014. In July 2013, the U.S. Treasury Department announced a one-year delay until January 1, 2015, in implementing the employer mandate. The delay in implementing the employer mandate does not affect an employer's access to the Credit for Small Employer Health Insurance Premiums, nor does the delay affect the date of implementation of the individual mandate.

Shared Responsibility for Employers

Effective for months beginning after December 31, 2014, an applicable large employer that does not offer coverage for all its full-time employees, offers minimum essential coverage that is unaffordable, or offers minimum essential coverage that consists of a plan under which the plan's share of the total allowed cost of benefits is less than 60%, is required to pay a penalty if any full-time employee is certified to the employer as having purchased health insurance through a state insurance exchange with respect to which a tax credit or cost-sharing reduction is allowed or paid to the employee.

The law requires the employer to offer coverage for all its full-time employees. If an employee rejects coverage (whether or not the employee obtains coverage elsewhere), the employer is not penalized. If no employee receives a premium tax credit or cost-sharing reduction under a state insurance exchange, the employer is not penalized.

Applicable Large Employer

An employer is an applicable large employer in any calendar year if it employed an average of at least 50 full-time employees during the preceding calendar year. An applicable large employer includes any predecessor employer. An employer is not treated as employing more than 50 full-time employees if the employer's workforce exceeds 50 full-time employees for 120 days or fewer during the calendar year and the employees that cause the employer's workforce to exceed 50 full-time employees are seasonal workers. A seasonal worker is a worker who performs labor or services on a seasonal basis (as defined by the Secretary of Labor), including retail workers employed exclusively during the holiday season and workers whose employment is ordinarily the kind exclusively performed at certain seasons or periods of the year and which, from its nature, may not be continuous or carried on throughout the year.

Counting Number of Employees

In counting the number of employees, a full-time employee for any month is an employee who works on average at least 30 hours or more each week, or 130 hours in a calendar month. A full-time employee is counted as one employee and all other employees are counted on a pro-rated basis. The number of fulltime equivalent employees that must be taken into account is equal to the aggregate number of hours worked by non-full-time employees for the month, divided by 120.

New Employers

The determination of whether a new employer (one that was not in existence during the preceding calendar year) is an applicable large employer is made based on the average number of employees that it is reasonably

expected to employ on business days in the current calendar year.

Penalty for Employers Not Offering Coverage

An applicable large employer who fails to offer its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under an employer-sponsored plan for any month is subject to a penalty if at least one of its full-time employees is certified to the employer as having enrolled in health insurance coverage purchased through a state exchange with respect to which a premium tax credit or cost-sharing reduction is allowed or paid to the employee. The penalty for any month is an excise tax equal to the number of full-time employees over a 30-employee threshold during the applicable month (regardless of how many employees are receiving a premium tax credit or cost-sharing reduction) multiplied by one-twelfth of $2,000. In the case of an employer who is treated as a single employer under the controlled group of corporations rule, the 30-employee reduction in full-time employees is made from the total number of full-time employees employed by the employer (i.e., only one 30-person reduction is permitted per controlled group of employers) and is allocated among the employers in relation to the number of full-time employees employed by each employer.

Example: *In 2015, ABC Corporation fails to offer minimum essential coverage and has 100 full-time employees, 10 of whom receive a tax credit for the year for enrolling in a state exchange-offered plan. For each month ABC Corporation fails to offer minimum essential coverage, the penalty equals $11,667 [($2,000 × 1/12) multiplied by (100 minus 30)].*

Small Business Health Options Program (SHOP)

The Small Business Health Options Program (SHOP) is a program that simplifies the process of buying health insurance for your small business.

The SHOP Marketplace is open to employers with 50 or fewer full-time-equivalent employees (FTEs). The advantages of using SHOP include:

You control the coverage you offer and how much you pay toward employee premiums.

You can compare health plans online on an apples-to-apples basis, which helps you make a decision that's right for your business.

You decide what you'll pay toward employee premiums, and then your employees can enroll.

There will be a SHOP Marketplace in each state. You must have an office or employee work site within the SHOP's service area to use that particular SHOP. The online application will guide you to the right SHOP for you.

If you plan to use SHOP, you must offer coverage to all of your full-time employees—generally those working 30 or more hours per week on average.

In many states, at least 70% of your full-time employees must enroll in your SHOP plan.

See www.healthcare.gov for more information.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.