

# DTN Ag Summit Small Ag Employers and the ACA

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# Small Ag Employers and the ACA

## Topics

- **Medical Reimbursement Plans: Out in 2014?**
- **The End of the Small Employer Health Care Credit**
- **Exchange Subsidies for Individuals**
- **The Pending Health Insurance Nondiscrimination Rules**

# Medical Reimbursement Plans

- **MRPs: Sec. 105 plans or Health Reimbursement Arrangements (HRAs)**
  - **Concept: Reimburse employee out-of-pocket health costs and/or insurance premiums**
  - **Must be nondiscriminatory**
  - **Employer tax deduction**
  - **Employee tax-free fringe benefit per Sec.105**
  - **Two versions: HRA has a carryover feature; MRP is use-or-lose**

# Medical Reimbursement Plans

- **Beginning in 2014, MRPs violate ACA “market reforms” [Notice 2013-54]**
  - **Employer group health plans must have unlimited benefits on specified services & no-cost preventive services (among other requirements)**
  - **Penalty: \$100 per day per employee!**
  - **Employer pmt. of individual health ins. premium also violates market reforms**
- **Exceptions:**
  - **One-employee plans**
  - **Ancillary benefit plans**
  - **Integrated plans**

# Medical Reimbursement Plans

## Exceptions to ACA market reform mandates:

- **One-employee plans**
  - **Caution: Nondiscrimination rules apply**
- **Ancillary benefit plans**
  - **Cover dental, vision, LT care, or disability**
  - **Cannot cover health insurance, co-pays, hospital & doctor deductibles**

# Medical Reimbursement Plans

## Exceptions to ACA market reform mandates

- **105 plans integrated with group health coverage**
  - 105 plan is coordinated with group insurance
  - Coordinated coverage must meet ACA market reforms
  - Each participant in MRP must be enrolled in the health insurance plan [IRS Notice 2013-54]

# Medical Reimbursement Plans

## New taxes in 2014

- **PCORI fee: \$2 per covered individual for 2014**  
[Sec. 4376]
  - Report on IRS Form 720 due each July 31
- **Reinsurance Program fee: \$63 per enrollee**
  - Begins in 2014
  - Report no. of enrollees to HHS by 11-15-14; they bill employer

# Small Employer Health Care Credit

<u>Tax Yr. Beginning In</u>	<u>Taxable Employer</u>	<u>Tax-Exempt Employer</u>
2010 – 2013	35%	25%
2014 – 2015	50%	35%

**Credit limit:**                      **Income Tax**                      **Payroll tax**

**Credit calculation: % x Employer-paid premiums**



# Small Employer Health Care Credit Phase-outs

	<u>Full Credit</u>	<u>Phase-out Range</u>	<u>No Credit</u>
No. of FTEs	$\leq 10$	$>10 - <25$	$\geq 25$
Ave. Wages	$\leq \$25K$	$>\$25K - <\$50K$	$\geq \$50K$

**Note: Each phase-out applied separately to gross credit**

# Small Employer Health Care Credit

- **2014: Credit % increases from 35% to 50%; but –**
  - Employer must purchase insurance through an Exchange
  - Credit only available for first 2 consecutive yrs. of purchasing through Exchange [Sec. 45R(b)(1) and (e)(2)]
- **Query: Does Administration's delay in small employer access to Exchange eliminate credit for '14 in federal-operated Exchanges?**

# Exchange Subsidies

- **2014: Refundable premium assistance tax credit for low and middle income individuals purchasing health insurance through an ACA exchange**
- **Multi-step process:**
  - Purchase health insurance through exchange
  - Exchange pays portion of premium (advance pmt.) based on individual's estimate of income
  - Advance pmt. reconciled in Form 1040 [Sec. 36B]

# Exchange Subsidies

## Eligibility for subsidy/tax credit

- **Household income  $\leq$ 400% fed. poverty level**
  - \$46,000 individual
  - \$62,000 household of two
  - \$94,000 household of four
- **Not enrolled in any employer health plan, including MRP**
- **Not eligible for an employer plan that is:**
  - Affordable (premium under 9.5% of income) and
  - Minimum value (>60% actuarial benefit)

# Exchange Subsidies

- **Subsidy/credit on a sliding scale: Decreases as income increases from 100% to 400% FPL**
  - Sliding scale for taxpayer premium: 2% - 9.5% of income
- **Example: Single individual/\$32,000 income/\$5,000 premium for silver Exchange policy (2<sup>nd</sup> lowest premium):**

Premium	\$ 5,000
Affordable premium (8.8% x \$32K)	<u>(2,800)</u>
Subsidy/credit	<u>\$ 2,200</u>

# Pending Group Health Nondiscrimination

- **ACA adds nondiscrimination rules to employer-provided health plans**
  - Violation: \$100/day penalty per discriminated employee
- **IRS delays compliance**
  - Effective after future IRS regulations (2016? 2017?)
- **Employers should consider future nondiscrim. rules when they weigh merits of retaining/ dropping employer health ins.**

# Small Employer Health Plans in 2014

## Summary

- **Employer pmt. of individual policy premiums and Sec. 105 MRPs violate ACA (big penalty)**
- **Group health plans in 2014 must meet ACA mandates**
  - Premiums likely more costly (mandates on coverages)
  - Small employer credit only 2 yrs. and only if employer insurance thru Exchange
- **Conclusion: Drop employer coverage??**
  - Employees subsidized by Exchange/credit < 400% FPL
  - Owner claims 100% SE health insurance deduction for personal premium (unless C corp.)

# Small Ag Employers and the ACA

- **Thanks for attending!**
- **Questions??**