

## A refresher on tax related ACA provisions



Now that the bill to repeal and replace the Affordable Care Act (ACA) has been withdrawn and it's uncertain whether there will be any other health care reform legislation this year, it's a good time to review some of the tax-related ACA provisions affecting businesses:

**Small employer tax credit.** Qualifying small employers can claim a credit to cover a portion of the cost of premiums paid to provide health insurance to employees. The maximum credit is 50% of premiums paid by the employer, provided it contributes at least 50% of the total premium or of a benchmark premium.

**Penalties for not offering complying coverage.** Applicable large employers (ALEs) — those with at least 50 full-time employees (or the equivalent) — are required to offer full-time employees affordable health coverage that meets certain minimum standards. If they don't, they can be charged a penalty if just one full-time employee receives a tax credit for purchasing his or her own coverage through a health care marketplace. This is sometimes called the "employer mandate."

**Reporting of health care costs to employees.** The ACA generally requires employers who filed 250 or more W-2 forms in the preceding year to annually report to employees the value of health insurance coverage they provide. The reporting requirement is informational only; it doesn't cause health care benefits to become taxable.

**Additional 0.9% Medicare tax.** This applies to:

- Wages and/or self-employment (SE) income above \$200,000 for single and head of household filers, or
- Combined wages and/or SE income above \$250,000 for married couples filing jointly (\$125,000 for married couples filing separately).

While there is no employer portion of this tax, employers are responsible for withholding the tax once an employee's compensation for the calendar year exceeds \$200,000, regardless of the employee's filing status or income from other sources.

**Cap on health care FSA contributions.** The Flexible Spending Account (FSA) cap is indexed for inflation. For 2017, the maximum annual FSA contribution by an employee is \$2,600.

There's also one significant change that hasn't kicked in yet: Beginning in 2020, the ACA calls for health insurance companies that service the group market and administrators of employer-sponsored health plans to pay a 40% excise

tax on premiums that exceed the applicable threshold, generally \$10,200 for self-only coverage and \$27,500 for family coverage. This is commonly referred to as the “Cadillac tax.”

Please contact Ceschini, CPAs at (631) 474-9400 for more information about this topic and other tax and business developments – such as new IRS regulations and court decisions.

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