

2016 Mid-Year Compliance Update

July 2016

House Delays Cadillac Tax; FSAs and HSAs May Still Be Affected

At the end of 2015, the House of Representatives passed legislation to delay the Excise Tax (Cadillac Tax) portion of the ACA until 2020. The Cadillac Tax will be applied to the monthly premium of each insured employee that exceeds the cost threshold set by the ACA. At this time, the premium calculation must include dollars contributed to an FSA, HRA, or HSA. This means that many employers may find their plans exceeding this premium cap.

While the delay is a step in the right direction, our hope is that this tax is eventually repealed. Please visit the link below for information on how you and your employees can get involved in a campaign to repeal the Cadillac Tax and protect our tax advantaged benefits.

<http://www.mymoneymyhealth.org/>

2017 HSA Limits Released

Rev. Proc. 2016-28, released in April 2016, sets the maximum contribution limits for HSAs in 2017:

Single Coverage—\$3,400 Family Coverage—\$6,750

<https://www.irs.gov/pub/irs-drop/rp-16-28.pdf>



Important Items

- Cadillac Tax Delay
- 2017 HSA Figures
- IRS releases further info on many ACA requirements for Employer-Sponsored Health Plans

IRS Notice 2015-87 Provides Guidance on Various Provisions of the Affordable Care Act

This notice, released at the end of 2015, provides guidance on several items associated with ACA and its reform of Employer-Provided Health Plans.

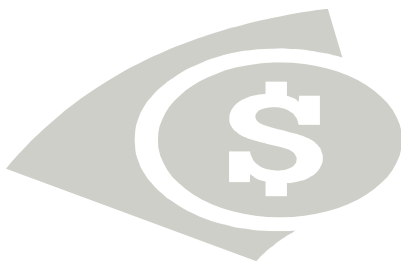
These items include:

- Calculating affordability of Employer-Sponsored Health Coverage for ALEs (Applicable Large Employer) - Employers may use current amounts made available by an HRA or by Employer FSA credits to offset the employee's responsibility. The affordability limit for 2016 is no more than 9.66% of the employee's household income. Any amounts given to employees who opt out of coverage must be added to the 9.66% calculation (i.e. Waiver HRA).
- Dependent Coverage for HRAs - The IRS unofficially stated that HRA participants must provide proof of coverage for all family members covered under the HRA (if spouse/ dependent group health plan coverage is not through the sponsoring Employer). Employers have until 1/1/2017 to comply or for the IRS to clarify.
- FSA Carryover amounts and application to COBRA coverage - Any prior year FSA carryover amounts must now be included in the balance for an FSA offered through COBRA.

Please see official release link below

<https://www.irs.gov/pub/irs-drop/n-15-87.pdf?>

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Helpful Definitions

FSA—Flexible Spending Account

HSA—Health Savings Account

HRA—Health Reimbursement Arrangement (or Account)

ACA—Affordable Care Act (or Healthcare Reform)