EXPERT UPDATE

Big News – ACA Transition Relief for Large Employers

HENDERSON BROTHERS

Yesterday's surprise announcement by the Treasury Department has provided many large employers with more time to address certain aspects of health reform. While the effective date for the IRS report requirement and the employer "Play or Pay" penalties have been delayed until 2015, we should not lose sight that most reform requirements are still in play.   Our consultants will continue to work hard for our clients so they are prepared to address all components of the legislation, including understanding what this transition relief means to them now and what impact these delays will have on strategy going forward.

Transition Relief until 2015

In the evening of July 2, 2013, the Treasury Department released an announcement that it will provide an additional year before the Affordable Care Act's employer and insurer reporting requirements begin. The release also indicates that transition relief until 2015 will apply to the employer penalties as well.

Delay for employer and insurer IRS reporting requirements (sections 6055 & 6056)

The transition relief was designed to meet two goals:

(1) It will give the departments more time to consider ways to simplify the new reporting requirements, and
(2) It will provide more time so that coverage and systems can be adapted properly to address the ACA requirements.

Delay for employer "Play or Pay" penalties

As a result of transition relief for the IRS report requirements, the Treasury Department recognizes that it will be impossible to enforce the Employer Shared Responsibility provisions of reform because the reports are a necessary component for determining which employers would owe a shared responsibility payment under section 4980H. Accordingly, the Department is extending transition relief until 2015 for the employer shared responsibility payments as well.

What does this mean?

While the regulators are still strongly encouraging employers to maintain or expand their coverage in 2014, this relief indicates that the subsection (a) $2,000 annual penalty or the subsection (b) $3,000 annual penalty will not be imposed on plan sponsors in 2014 if an employee enrolls in Exchange coverage and qualifies for premium tax credits during the year. Large employers who fail to offer minimum essential health coverage, minimum value coverage or affordable single-only coverage to full-time employees will not be subject to the $2,000 or $3,000 penalty tax for 2014.

Impact on Employee Access to Premium Tax Credits

We have also been informed that the Department's actions do not affect individuals' access to premium tax credits in the Exchange marketplace in calendar year 2014.

The Treasury intends to publish formal guidance describing the transition within the next week.

Please stay tuned for additional details.

7/2/2013 Treasury release:
http://www.treasury.gov/connect/blog/Pages/Continuing-to-Implement-the-ACA-in-a-Careful-Thoughtful-Manner-.aspx

11/28/2012 HBI Expert Update for IRS Reporting Requirements:
http://www.hendersonbrothers.com/large-employer-irs-report-requirement

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