



EXPERT
UPDATE

IRS Notice - Official Transition Relief for the Reporting Requirements and Play or Pay

On July 10, 2013, the IRS released official transition relief from the ACA information reporting requirements under sections 6055 and 6056. As announced previously in a Treasury blog on July 2nd, this one year transition relief will provide additional time to receive input from employers and other reporting entities so that the reporting requirements can be simplified while remaining consistent with the intent of the legislation. It has become apparent to the regulators that plan sponsors and insurers need more time to develop systems for the assembling and reporting of the data needed.

The IRS has acknowledged that this transition relief from the reporting requirements will make it impractical to determine which employers should be subject to the “play or pay” penalties in 2014. As a result of this problem it has also been announced that the Employer Shared Responsibility subsection (a) annual penalty of \$2,000 and the subsection (b) annual penalty of \$3,000 will be postponed until 2015. The regulators are encouraging all affected parties to voluntarily comply for 2014 even though no penalties will be assessed on employers who are non-compliant in 2014.

Certain individuals will continue to be eligible for premium and cost-sharing assistance when they enroll in the individual Exchange as long as they meet certain requirements – i.e., the employee has no access to employer sponsored minimum essential coverage or the employer coverage offered is deemed “unaffordable” or does not offer minimum value. The requirement that these individuals report a household income within a specified range still applies.

The IRS has also reported that **this transition relief does not apply to the individual shared responsibility provision**, also referred to as the “Individual Mandate”. Individuals who go without coverage in 2014 could still be faced with a penalty.

Notice: <http://www.irs.gov/pub/irs-drop/n-13-45.PDF>

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