

Strategies to Avoid the ACA's Penalties and Excise Tax

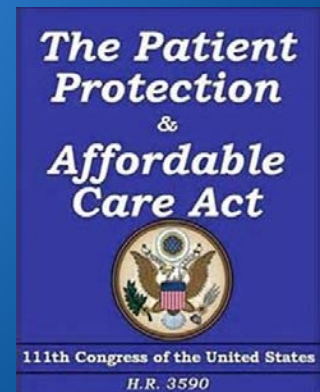


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Department**

PRESENTING

Agenda

- **Avoiding Penalties**
 - Employer Shared Responsibility (Free Rider Penalty)
 - Excise Tax (Cadillac Tax)
- **Reporting Requirements**
 - §6056 of the IRS Code
 - §6055 of the IRS Code
- **Strategies**



Avoiding Penalties

- **Employer Shared Responsibility (Free Rider Penalty)**
 - 2015 – Employers with 100+ Employees
 - 2016 – Employers with 50 to 100 Employees
- **Excise Tax (Cadillac Tax)**
 - 2018 – Tax on high-cost insurance benefits (may need to begin Oct 2017)

Employer Shared Responsibility

- **Employer must offer minimum essential coverage**
 - Of minimum value (MV) of at least 60%
 - That is affordable (employee does not pay more than 9.5% of gross income)
- **To at least 95% of its ACA full-time employees**



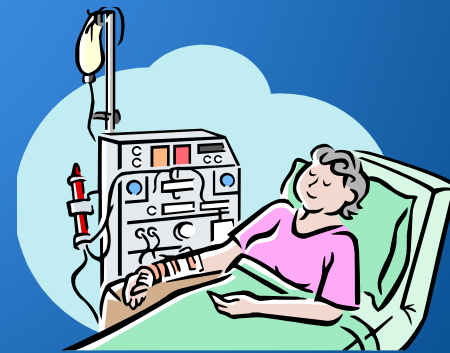
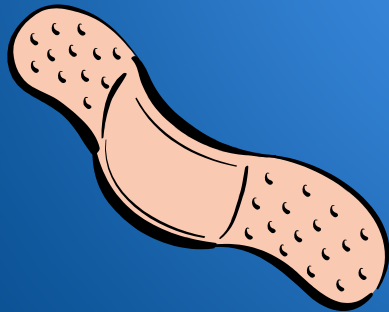
Employer Shared Responsibility

- **Plans outside OEGB**
 - Offered plan must have actuarial value of at least 60% (Bronze Level) and
 - Must cover the 10 core essential health benefits
- **Insurance through OEGB**
 - All plans are qualified health plans (QHP), and
 - Meet or exceed the minimum value



Employer Shared Responsibility

- **Affordability (§4980H)**
 - Calculated based on the **offered** QHP with lowest monthly premium for employee only
 - Does not matter what plan the employee **actually** selects



Employer Shared Responsibility

- **Affordability (§4980H)**
 - Safe harbors for determining employee's household income
 - Form W-2 wages (Box 1)
 - Rate of pay calculated for each month
(9.5% x 130 hrs x EE's hrly wage)
 - Federal poverty line (FPL) (FPL ÷ 12)



Cadillac Tax

- **What is it?**

- 40% tax on any benefit amounts exceeding \$10,200 for employee only and \$27,500 for employee and family
- Includes:
 - Employer and employee premium contributions,
 - Employer and employee HSA contributions
 - Employer HRA contributions
 - Dental and vision plans, if not stand alone plans



Cadillac Tax



- **Who is taxed?**
 - If self-insured, the employer
 - If only offer insurance, the insurance company
- **Why should employers and employees care about this tax?**
 - It gets passed down from carrier to employer to eventually the consumer
 - Higher costs for services (probably as fees)

Reporting Requirements

- **IRS Tax Code §6056**
 - What?
 - Form 1095-C
 - Who has to send this form?
 - Large employers – Sections I and II
 - Large self-insured employers Sections I, II & III
 - Send to whom?
 - IRS
 - Each employee



Reporting Requirements

- IRS Tax Code §6055
 - What?
 - Form 1094-C
 - All large employers must send this form
 - Send to the IRS only

1094-C Transmittal of Employer Provided Health Insurance Offer and Coverage Information Returns

120116
JULY 24, 2014

Part I Applicable Large Employer Member (ALE Member)

1. Name of the Member (Employer)

2. Social address (including state or city code)

3. City or town

4. State of primary contact

5. Name of designated contact (last, first, middle initial)

6. Social address (including state or city code)

7. City or town

8. State of primary contact

9. Social address (including state or city code)

10. City or town

11. State of primary contact

12. Member ID

13. Total number of Forms 1094-C submitted with this transmittal

Part II ALE Member Information

14. Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions.

15. Total number of Forms 1094-C filed by and/or on behalf of ALE Member

16. Is ALE Member a member of an Appointed ALE Group? If "Yes," do not complete Part II.

Part III Qualifications of Eligibility (select all that apply)

A. Qualifying Offer Method B. Qualifying Offer Method Transition Rule C. Section 408(a) Transition Rule D. 90% Offer Method

Under penalty of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature: _____ Date: _____

For Appropriate Instructions, See Notices, see separate instructions. Form 1094-C (2014)



Reporting Requirements

- **IRS Tax Code §6055 and §6056**
 - When?
 - Employees by February 1, 2016
 - February 29, 2016, if filing on paper
 - March 31, 2016, if filing electronically

2016



Strategies

- Offer QHP to all employees
- Offer QHP to only employees working 30 or more hours a week
- Always offer HDHP plan
- Offer tapering incentive(s) to employees who choose HDHP
- Negotiate out (sunset) insurance benefits for early retirees

Strategies

- **Allow flexibility to re-open the insurance article**
- **Consider length of CBA (2018?)**
- **Begin limiting plan offerings**
- **Only contribute 90.5% of monthly premium cost of employee only HDHP**

Strategies

- **Continue communicating ACA requirements to employees**
 - Why employer is limiting plan offerings
 - Why employer must limit increases to its monthly insurance contribution (or provide none at all)
 - How the Cadillac Tax taking effect in 2018 will impact everyone

Strategies

- **Tiered v. composite rates**
 - Check with OEBA as to notification dates
- **Limit substitute teacher work hours to less than 30 hrs/wk**
- **Determine how to treat coaches**
- **Insurance committees**
 - Maintain final decision-making authority

Other Resources

- **IRS Website:**
 - www.IRS.gov/draftforms
- **OSBA Website:**
 - www.osba.org/Resources/Article/Employee_Management/ACA/ACAHome.aspx
- **OEBB Website:**
 - www.oregon.gov/OHA/oebb/pages/index.aspx





Questions





We're here to help

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