



WHAT EMPLOYERS NEED TO KNOW RIGHT NOW ABOUT HEALTH CARE REFORM

Trade Bill Increases ACA Reporting Penalties; Reinstates Tax Credit

Most employers are familiar with the penalties assessed to applicable large employers that fail to offer minimum essential coverage that is minimum value and affordable. In addition to being required to offer coverage, employers (all applicable large employers, and all employers with self-funded plans regardless of size) are required to complete IRS reporting forms under sections 6055 and 6056 of the Patient Protection and Affordable Care Act (ACA). These forms are used to inform the IRS and employees about the coverage that was offered and enrolled in, allowing employees to satisfy the individual mandate and allowing employers to confirm they met the requirement to offer coverage.

On June 29, 2015, President Obama signed the [Trade Preferences Extension Act of 2015](#). The bill included significant increases for failure to file a number of required tax reporting forms, including the forms required under sections 6055 and 6056.

- The penalty for failing to file required information returns with the IRS increased from \$100 to \$250.
- The cap on the total amount of penalties for failures to file will increase from \$1,500,000 to \$3,000,000.
- If a failure relates to both an information return and a payee statement (sent to the employee) the penalties are doubled.
- If the failure is due to intentional disregard, the new \$250 penalty is doubled to \$500 for each failure; and no cap applies.

The Trade Preferences Extension Act of 2015 also restored the Health Coverage Tax Credit (HCTC) for all eligible coverage months beginning before January 1, 2020.

The HCTC is a refundable tax credit available to individuals receiving trade adjustment assistance (TAA) and retirees age 55 and older who receive benefits from the Pension and Benefit Guarantee Corporation (PBGC). The refundable tax credit is equal to a portion of premiums paid for COBRA or other qualified health insurance for eligible individuals and their qualifying family members. The HCTC had expired on January 1, 2014.

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The Trade Preferences Extension Act of 2015 provided rules to coordinate the HCTC with the premium tax credit available to some individuals purchasing insurance on the Exchange. Coverage through the Exchange will no longer qualify as insurance for which the HCTC may be claimed, beginning in 2016.

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