IMPORTANT NOTICE TO CONGREGATIONS & SYNODS

REGARDING MEDICAL HEALTHCARE REIMBURSEMENTS TO EMPLOYEES

Dear colleagues,

We have been getting a number of calls with questions about IRS notice 2013-54 because the grace period to come into compliance ends on June 30, 2015. The tax penalty is $100 per employee per day of noncompliance.

At issue is the (very soon to be disallowed) practice of some employers to reimburse their employees for the cost of health care coverage purchased outside an employer-sponsored group health plan, or for out-of-pocket health care expenses outside of a group health plan.

We have posted the following article on the EmployerLink section of the Portico website and I wanted to send it to you as you may also be getting questions. Please encourage affected members and congregations contact us (800.352.2876) to help them.

The Rev. Jeff Thiemann
President and CEO
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Important Tax Rules

Some sponsoring employers reimburse their employees for the cost of health care coverage purchased outside an employer-sponsored group health plan, or for out-of-pocket health care expenses. If the reimbursements are not part of a group health plan as defined by the Affordable Care Act (ACA), such as a health reimbursement account (HRA) or health flexible spending account (FSA) plan, these employers are subject to tax penalties if they continue these reimbursements.

Portico recommends that sponsoring organizations take advantage of our bundled benefits plan, which includes tax-advantaged health accounts such as an FSA, HRA, or health savings account (HSA).

- We offer a bundled benefits plan, which includes health, retirement, disability, and life insurance, in accordance with the ELCA Philosophy of Benefits.
  https://myportico.porticobenefits.org/AboutUs/OrganizationalInformation/ELCAPhilosophyOfBenefits
- When you provide ELCA benefits through Portico, you can be assured that the benefits you’re providing are in compliance with the ACA.
- When you sponsor your employees in ELCA benefits, you must sponsor them in all of the benefits as part of the bundled plan.
• Your sponsored employees must enroll in ELCA health benefits, unless they’re eligible to waive health coverage. If sponsored employees don’t have a valid waiver and do not enroll in ELCA health benefits, their participation in the entire bundled plan will end.

Considerations
• This rule applies to reimbursements, whether for insurance premiums or for out-of-pocket medical expenses, which must also must be reported to the IRS as taxable income for the employee.
• This rule also applies to reimbursement for premiums for Medicare Part B and Medicare Part D.

Potential Penalties
• If you don’t meet the exceptions and continue with reimbursements, the IRS may assess your organization $100 per employee, per day, per violation.

Exceptions
• Employers contributing to coverage for only one employee are exempt from the penalty.
• Employers reimbursing employees for only stand-alone accident, dental-only, and vision-only plans are exempt from the penalty.
• Contributions to your employees’ ELCA health savings accounts (HSA) are exempt from the penalty, because it is part of the ELCA health plan.


Note: Portico Benefit Services cannot give tax advice. If you have specific questions, please consult your tax advisor or payroll vendor.

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