THE SMALLBIZ BUILDER

Planning For Your Dreams

PADGETT BUSINESS SERVICES

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This Month:

- 2017 Tax Changes and Notices
- 21st Century Cures Act Eliminates IRS Penalty on Employer Reimbursements for Health Insurance

2017 Tax Changes and Notices

- The IRS began processing tax returns on January 23, 2017. The tax filing deadline this year is April 18th, since April 17th is being observed as Emancipation Day.
- The Open Enrollment Period for purchasing coverage through the marketplace for 2017 ends on January 31, 2017. Individuals may also qualify for Special Enrollment Periods outside of Open Enrollment if they experience a qualified life event, such as a marriage, divorce or birth of a child.
- As of January 1, 2017, the IRS will be required to hold refunds claiming the Earned Income Credit and Additional Child Tax Credit on the return until Feb 15th as a way to prevent lost revenue due to identity theft.
- Forms 1095-B & 1095-C will be arriving late again, since they're not required to be provided to employees until March 2nd. Individuals who rely on these forms to confirm their health coverage may experience delays in filing their returns.
- Partnership tax returns (Form 1065) will be due on March 15th instead of April 15th. If the partnership is on a fiscal year basis, the return will now be due on the 15th day of the 3rd month following the end of the tax year.
- C corporation tax returns (Form 1120) will be due on April 15th instead of March 15th. The tax filing deadline for 2016 returns is April 18th. For fiscal year corporations, the tax return will now be due on the 15th day of the 4th month following the close of the tax year.
- FinCEN Report 114, *Report of Foreign Bank and Financial Accounts*, commonly referred to as the FBAR, will no longer be due on June 30th. It now shares the same deadline as individual income tax returns, April 15th. Since April 15th falls on a Saturday this year and April 17th is being observed as Emancipation Day, the return will be due on April 18th. Like income tax returns, FBARs will be permitted up to a six month extension.
- The standard mileage rate for business decreased to 53.5¢/mile and the medical and moving standard mileage rate lowered to 17¢/mile. The rate for charitable organization mileage is unchanged at 14¢/mile.

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21st Century Cures Act Eliminates IRS Penalty on Employer Reimbursements for Health Insurance

On December 13, 2016, President Obama signed the 21st Century Cures Act into law. The Act not only provides more funding for research into diseases and improvements in the mental health treatment system, but it also allows small employers to provide Health Reimbursement Arrangements (HRAs) to their employees without facing major penalties for violating certain Affordable Care Act (ACA) requirements.

Prior to 2015, HRAs were used by employers who didn't offer group health plans as a way to reimburse employees to help offset costs of their individual or family insurance coverage. As of 2015, the provisions of the ACA prohibited employers from offering HRAs outside of a full-coverage group health plan, with penalties for violations as steep as $100 per employee per day or $36,500 per employee per year.

Under the 21st Century Cures Act, certain small employers are allowed to offer HRAs to employees without also offering other health insurance beginning January 1, 2017. However, the HRA must meet the requirements below to be defined as a qualified small employer HRA and avoid the $100 per employee per day penalty:

- The employer is below the 50 employee (FTE) ACA threshold.
- The employer doesn't offer a separate group health plan to any of its employees.
- The HRA is available to all eligible employees on the same terms. Generally, only variations due to age and number of eligible family members are permitted.
- The HRA is funded solely by the employer with no salary reduction contributions by the employee.
- Proof of coverage or medical cost must be provided to the employer to support the reimbursement.
- Annual reimbursements must not exceed $4,950 (single) or $10,000 (family). These dollar amounts are subject to cost of living increases.

In addition, all employees generally must be eligible unless they're within their first 90 days on the job, under age 25, a part-time or seasonal employee, covered in a collective bargaining unit, or a nonresident alien.

Although the reimbursements to employees for medical expenses are tax-free, if the employee is enrolled in other health coverage that meets the ACA definition of minimal essential coverage, they can affect an employee's eligibility for a premium tax credit or the amount of premium tax credit available.

Not only must the HRA meet certain requirements, but small employers funding a qualified arrangement will also have reporting requirements beginning after December 31, 2016. One of these requirements is that the employer must provide a written notice to each employee no later than 90 days before the beginning of the year or on the date which the employee is first eligible. The notice must include the amount of the employee's permitted benefit and a statement that the employee must provide information regarding the HRA to any exchange for which they apply for an advance premium tax credit. Since the Cures Act was passed so late in 2016, employers have until March 13, 2017 to comply with these reporting requirements. The employer will also have to report contributions to a qualified arrangement on their employee's W-2 for calendar years that begin after December 31, 2016. Failure to comply will result in a $50 penalty to an employee up to $2,500 annually.