

## IRS Chief Counsel Clarifies Tax Treatment of Certain Benefits Paid by Self-Insured Health Plans

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On April 24, 2017, the IRS Chief Counsel issued a memorandum addressing the tax consequences of employer provided, self-insured health coverage that primarily provides cash payments (or other taxable benefits) to participating employees upon the completion of various wellness-related activities. The IRS noted it was aware these programs were being marketed to employers as a way to provide cash and cash-equivalent compensation to employees on a tax-free basis. In addition to providing a discussion on whether and when an arrangement would be considered accident or health insurance, the memorandum clarifies that even if employees pay an after-tax contribution to participate in the plan, the value of cash payments (or other taxable benefits) received under the plan would be considered taxable wages to employees if the average value of the cash (or other taxable benefits) received are expected to exceed any after-tax contributions paid by participating employees. In other words, the “excess” of the cash payments or other taxable benefits received would be viewed as taxable wages from the employer. View the [Chief Counsel Memorandum](#).