

IRS Q&As Highlight Employer Penalty for Reimbursing Individual Health Insurance Premiums

May 30, 2014

The IRS has issued a set of Q&As highlighting the penalty that may be charged to employers who reimburse their employees on a pre-tax basis for individual health insurance premiums through arrangements described by the IRS as “employer payment plans.” In Notice 2013-54, issued last year (see our related blog post available [here](#)), the IRS confirmed that employer payment plans, which may include certain standalone health reimbursement arrangements, cannot be integrated with individual health insurance policies in order to comply with the market reform provisions of the Affordable Care Act, such as the annual dollar limit prohibition and the preventive care requirements. A Q&A points out that an excise tax of \$100 per day per applicable employee (which could amount to \$36,500 per year for each employee) may be imposed on such plans for failure to satisfy the Affordable Care Act’s market reform requirements. Employers who are currently providing these types of employer payment plans should take note of the potential for stiff penalties and consider replacing the plans with alternative benefit arrangements. A link to the Q&As is available [here](#)