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# Affordable Care Act Tax Issues Affecting Government Employers

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**Telephone Hours – 7:30 to 3:00**

The information contained in this presentation is current as of 03/31/2014.  
For the latest information about the provisions of the Affordable Care Act, visit [IRS.gov/aca](http://IRS.gov/aca)



## Affordable Care Act - Tax Issues Affecting Government Employers

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### **Health Benefits for Older Dependent Children**

- W-2 Reporting of Employer Sponsored Health Care Coverage
- Additional Medicare Tax
- Health Flexible Spending Arrangement Limits
- Patient-Centered Outcome Trust Fund Fee
- Transition Relief for Reporting of Health Insurance Coverage and Employer Shared Responsibility

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## Favorable Health Benefit Tax Treatment for Older Dependent Children

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Effective since 3/30/2010

- Adult child who has not achieved age of 27 by end of year.
- Residence, support, and other tests in IRC 152(c) do not apply for this purpose.

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## W-2 Reporting Employer Sponsored Health Care Coverage

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- Requires Reporting of Employer provided health care in Box 12 with Code DD
- Transition Relief for Employers filing < 250 Forms W-2 for preceding calendar year.
- This reporting does not change the tax treatment of employer-provided health coverage. It is for informational purposes only.

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## Form W-2 Reporting of Employer Sponsored Health Care Coverage

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What to report:

Aggregate value of all “applicable employer-sponsored coverage” including:

- Medical & pharmacy
- Pre-tax hospital indemnity plans
- Employee assistance & wellness programs **ONLY** for those that have separate COBRA rates\*

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## Form W-2 Reporting of Employer Sponsored Health Care Coverage

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### IRC § 6051(a)(14)

- What NOT to report:
  - HSA contributions
  - Long term care insurance; supplemental insurance
  - Life; disability benefit costs
  - Salary reductions for HFSA
- OPTIONAL to report:
  - Stand alone dental & vision
  - HRA benefits\*

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## Example: Form W-2 Reporting – Employee A

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### FACTS:

- HDHP cost \$1000/mo.
- EE A's 125 plan contributions:
  - copays 25% of health plan (\$250/mo)
  - \$5,000 to HSA
  - \$1,000 dental & vision plan
  - \$1,500 LFSA
  - \$500 dependent care
- ER contributes \$1000 to HSA
- ER flex credits of \$1000

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## Example: Form W-2 Reporting – Employee A

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- HDHP cost \$12,000.00
- HSA 0.00
- Dental & Vision – optional 1,000.00
- LFSA 500.00
- Box 12 code DD \$13,500.00  
or \$12,500.00

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## Additional Hospital Insurance Tax on High-Income Taxpayers

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Employer must withhold additional 0.9% Medicare Tax on wages and compensation in excess of \$200,000

- No matching by the employer
- Reported on Form 941, Line 5d
- Include in Box 6, Medicare Tax Withheld on Form W-2

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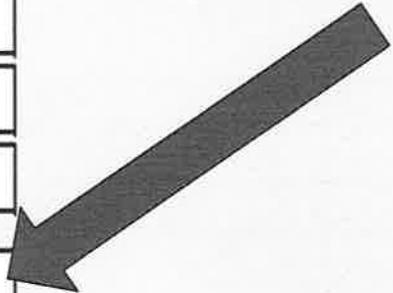


# Additional Hospital Insurance Tax on High-Income Taxpayers

**Part 1:** Answer these questions for this quarter.

- 1 Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)* 1
- 2 Wages, tips, and other compensation . . . . . 2
- 3 Federal income tax withheld from wages, tips, and other compensation . . . . . 3
- 4 If no wages, tips, and other compensation are subject to social security or Medicare tax  Check and go to line 6.

	Column 1		Column 2
5a Taxable social security wages . . .	<input type="text"/>	x .124 =	<input type="text"/>
5b Taxable social security tips . . .	<input type="text"/>	x .124 =	<input type="text"/>
5c Taxable Medicare wages & tips. . .	<input type="text"/>	x .029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	x .009 =	<input type="text"/>



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## Example: Additional Medicare Tax – Employee B

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Wages:	Salary	\$250,000.00
	Fringes	<u>\$ 3,000.00</u>
	Total	\$253,000.00

### Medicare Tax – Employee:

$\$253,000 \times 1.45\%$	\$ 3,668.50
$\$ 53,000 \times 0.90\%$	<u>\$ 477.00</u>
Total withheld	\$ 4,145.50
Employer match	\$ 3,668.50

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## Limit on Cafeteria Plan Health Flexible Spending Arrangements

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- Limit \$2500 for salary reduction contributions (indexed for inflation)
  
- IRC 125(i)

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## Patient-Centered Outcome Research Fee (PCORI)

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- Applies to sponsors of health insurance plans and self-insurers
- Fee is
  - \$1 per avg. covered life for policy years and plan years ending after September 30, 2012 and before October 1, 2013
  - \$2 per avg. covered life for policy years and plan years ending after September 30, 2013 and before October 1, 2014
  - For subsequent years the fee may be adjusted for inflation
- The fee is paid with and reported on the second quarter Form 720, Quarterly Federal Excise Tax Return

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## Patient-Centered Outcomes fee

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### Guidance:

- Final Regulations TD 9602  
(Treasury Regulations Sections 46.4375-1 and 46.4376-1)
- Q&A's PCORI Website on [www.irs.gov](http://www.irs.gov)
- PCORI coverage chart
- Form 720 and Form 720 Instructions

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## Reporting of Health Insurance Coverage and Employer Shared Responsibility

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- Final Regulations for IRC § 4980H were issued on February 10, 2014 as TD 9655
- Final Regulations for IRC § 6056 were issued on March 5, 2014 as TD 9660
- Final Regulations for IRC § 6055 were issued on March 5, 2014 as TD 9661

For more information visit the ACA website at

[www.irs.gov](http://www.irs.gov)

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	<b>IRC Section</b>	<b>Guidance Issued</b>	<b>Effective Date</b>
Older Dependent Children	§ 105	Notice 2010-38	3/30/2010
W-2 Reporting	§ 6051(a)(14)	Notice 2012-9	1/1/2012
Additional Medicare Tax	§ 3101(b)(2)	Prop Regs 130074-11	1/1/2013
FSA Limit	§ 125(i)	Notice 2012-40	1/1/2013
Patient Centered Outcome Fee	§ 4375 § 4376 § 4377	Final Regs TD 9602	Plan Years Ending After 9/30/2012
Reporting Health Insurance Coverage	§ 6055 § 6056	Final Regs TD 9661 Final Regs TD 9660	2015
Employer Shared	§ 4980H	Final Regs TD 9665	2015



# Helpful Resources

## [HealthCare.gov](http://HealthCare.gov)



## [IRS.gov/ACA](http://IRS.gov/ACA)



## [SBA.gov/healthcare](http://SBA.gov/healthcare)



## [DOL.gov/ebsa/healthreform](http://DOL.gov/ebsa/healthreform)



## [Business.USA.gov/healthreform](http://Business.USA.gov/healthreform)



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## General Questions

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- What is the liability for an employer who withholds and keeps retirement and SSA money paid by an employee to use for their own purposes? Not reporting to either.
- What is a 'protective claim' and how does this work
- SS-8 where does it go and how long for response
- Deferred wages (not for teachers) - paid in later year – (409A) EP question



WRAP-UP

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**QUESTIONS?**



## IRS Resources

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Telephone help – 1(877) 829-5500

IRS Publications – 1(800) 829-3676

Internet – [www.irs.gov](http://www.irs.gov)

Ask FSLG – [tege.ask.fslg@irs.gov](mailto:tege.ask.fslg@irs.gov)

See Handout – “Quick Links for GE’s” for additional telephone numbers and resources



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**October 9, 2014**

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To provide government entities with top quality service by helping them understand and comply with their tax responsibilities and to apply tax laws with integrity and fairness to all.



## TOPICS & PRESENTERS

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### **Kathleen Rodegeb, Pacific Area Manager (925) 974-3827**

- Introduction
- Affordable Care Act (ACA)

### **Thomas Mansell, FSLG Specialist (707) 535-3830**

- Accountable plan provisions
- Fringe benefits

### **Clark Fletcher, FSLG Specialist (425) 489-4042**

- Volunteer workers
- Third-Party Payers