



# URGENT NEWS FOR EMPLOYERS

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## Insurance Bomb About to Explode!



**EXPLOSIVE PENALTIES FOR BUSINESSES WITH MORE THAN ONE EMPLOYEE!**

While the intentions may have been good, the Affordable Care Act (AKA Obamacare) has resulted in some horrific problems for small business employers in 2014!

This is a bomb ready to go off!

To promote insurance coverage by small employers, the SHOP (Small-business Health Options Program) was developed.

In Idaho, the SHOP is

functioning, it is not in Washington.

Many insurance companies are not enrolled in the SHOP. The group insurance plans available for 2014 cost more than employer plans up to that time. And the plans cover less.

Previously, to combat the high cost of insurance, an employer might reimburse his employees for their self-paid insurance premiums. That is now **ILLEGAL!**

The penalty for reimbursing an employee for health insurance, either directly (to the employee) or indirectly (to the insurance company) is \$100 per employee per DAY that you are in violation! That adds up to a potential

\$36,500 per employee fine! **Thirty-Six Thousand Five Hundred!** This includes S corporation owners. Do you have that? We don't!

The high cost of group insurance plans for small businesses is now compounded by eliminating alternative methods to pay for employee insurance.

There are still ways to comply with these laws and save taxes.

Please contact your CPA, Kevin, Nancy, or Rhonda **before** you try to insure your employees, **before** you purchase insurance for yourself, **before** you prepare your W2's at year end! If you have already purchased insurance, please contact us as soon as possible!

### Ways to diffuse the bomb:

- **Traditional broad full 125 Cafeteria plans are still allowed!**
- **Employers who have a group plan for ALL employees are in the clear!**
- **S corporations with only 1 employee are in the clear! (that's one, singular, including the owner)**
- **Section 105 plans for a NON-owner employee are still allowed—if that individual is the only employee.**
- **If you are receiving premium assistance, tax planning can eliminate or minimize what you may have to repay.**

## Revised Tax Planning

Because the IRS did such a poor job at getting the news out, our planning has had to change mid year.

Before this revenue ruling, we told you that an S corporation officer should pay health insurance through the company; even if other employees had a different plan, or if other employees were reimbursed for their medical insurance

premiums.

**NOW** we're telling you—Don't Do That! If you're an S corporation officer and want to pay for your insurance you must pay for **every** employee's insurance through a group plan! The same plan for everyone.

If you don't do it that way, you have just lost the ability to deduct health insurance premiums as a

business expense.

We told you HRA's were an inexpensive way to provide benefits to your employees.

**NOW** we're telling you—only for special circumstances is that OK, otherwise: Don't Do That! It's now illegal!

Please see us to resolve these tax planning issues!

### Credit for Small Business Health Insurance

Insurance must be a	Group Plan
It must be purchased through the	SHOP
Tax credit goes up to a maximum of	50% of premiums

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Employer health insurance deductions effective 1/1/2014

	Employer Fringe Benefit Deduction Allowed	Fringe Benefit Deduction NOT ALLOWED	\$100 per employee per day penalty
Employer sponsored and paid health insurance plan	x		
Employer sponsored plan, employee pays portion pre-tax through FSA	x		
Employer sponsored plan, employee pays portion post-tax	x		
Employer <u>does not</u> sponsor plan, reimburses employees for premiums		x	x
Employer <u>does not</u> sponsor plan, pays employees insurance directly to insurance company		x	x
Employer <u>does not</u> sponsor plan, employees pay their own policy premium through pre-tax deductions		x	x
Employer <u>does not</u> sponsor plan, pays S corporation officers out of company account, adds insurance to W2		x	x

## If you really want to reimburse your employees

Every IRS regulation has a loophole—can you fit through one of them?

There are some ways to reimburse your employees without being subject to these extraordinary penalties.

Exceptions to reimbursements for health insurance premiums include:

- 1) Having only 1 full-time employee

- 2) Reimbursing only for dental, vision, accident, or long term care policy premiums

- 3) Covering only retired employees

- 4) Having an HRA that is integrated with a health insurance policy

- 5) Covering only indemnity and cancer policies

Please contact your insurance agent to be sure you qualify for these exceptions.

Our goal is to keep you safe from all penalties, save you money, and help you grow your business!



## Ways to save money

A penny saved is a penny earned!

Every means of saving money has it's risks. These are not D.I.Y. options.

- 1) Leasing Employees. Leasing employees through a professional employer organization can save on payroll taxes and also allow the employer to provide employee benefits.

- 2) For Sole-Proprietor's Only:

a) Hire your spouse in a valid employment situation

b) Provide a 105 insurance reimbursement plan (for all qualified employees)

- 3) Make use of Section 125 Cafeteria plans—these do NOT need to be integrated with an

insurance policy and can even cover health insurance premiums for employees, *as long as* the employees do not purchase their insurance on the Exchange.

Warning: S corporation owners cannot participate in Cafeteria or 105 plans.