

# Health Care Reform Management Alert Series

## Transition Relief From Employer Mandate Penalties - Additional Guidance



Issue 69


*This is the sixty-ninth issue in our series of alerts for employers on selected topics in health care reform. (Click [here](#) to access our general summary of health care reform and other issues in this series.) This series of Health Care Reform Management Alerts is designed to provide an in-depth analysis of certain aspects of health care reform and how it will impact your employer-sponsored plans.*

As reported in Issue 67, on July 2, 2013, a Treasury official announced that the Obama Administration intended to delay the reporting requirements under Internal Revenue Code Sections 6055 and 6056 and the employer mandate penalties under Code Section 4980H until 2015.

On July 9, 2013, the IRS issued Notice 2013-45 providing this relief and indicating that the relief has no effect on the effective date or application of other Affordable Care Act provisions. In the Notice, the IRS stated that they intend to issue proposed rules this summer concerning information reporting under Code Sections 6055 and 6056. The proposed rules will reflect the fact that reporting will not be required for 2014. However, the IRS encourages employers to voluntarily comply with the reporting requirements for 2014 (once the reporting rules are issued) in preparation for the full application of the provisions in 2015.

The IRS reiterated that because information reporting will not be required for 2014, this makes it impracticable to determine which employers owe shared responsibility payments for 2014. Therefore, no employer shared responsibility penalties under Code Section 4980H will be assessed for 2014. Section 4980H(a) imposes a penalty on an applicable large employer that fails to offer minimum essential coverage to substantially all of its full-time employees (and their dependents) under an eligible employer-sponsored plan if at least one full-time employee enrolls in a qualified health plan for which a premium tax credit is allowed or paid. Section 4980H(b) imposes a penalty on an applicable large employer that offers minimum essential coverage to its full-time employees (and their dependents) under an eligible employer-sponsored plan, but has one or more full-time employees who enroll in a qualified health plan for which a premium tax credit is allowed or paid (for example, if the coverage offered either does not provide minimum value or is not affordable to that full-time employee). (For more information on the penalties, see Issues 45 and 48.)

The IRS stated that individuals will continue to be eligible for the premium tax credit by enrolling in a plan through an exchange if their household income is within a specified range and they are not eligible for other minimum essential coverage. The IRS also stated that the transition relief does not affect the effective date or application of other ACA provisions.

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