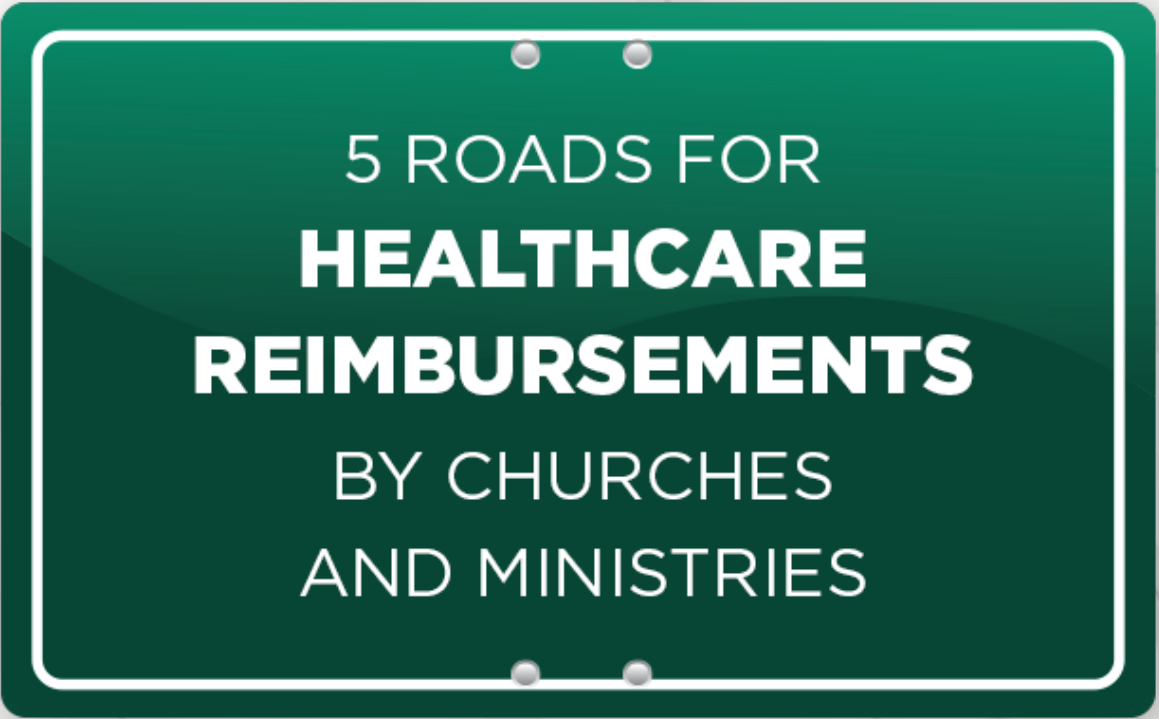


5 ROADS FOR
**HEALTHCARE
REIMBURSEMENTS**
BY CHURCHES
AND MINISTRIES



MARCH 2015

Enhancing Trust



5 ROADS FOR **HEALTHCARE REIMBURSEMENTS** BY CHURCHES AND MINISTRIES

The purpose of this publication is to present highly focused information on the healthcare reimbursement aspects of the Affordable Care Act (ACA) based on the information available as of the date of this publication (March 10, 2015). This text is provided with the understanding that ECFA is not rendering legal, accounting, or other professional advice or service. Professional advice on specific issues should be sought from an accountant, lawyer, or other professional.

ECFA expresses sincere appreciation to attorneys Danny Miller and Allison Gardner of Conner & Winters, LLP for their valued assistance in reviewing the information included in this resource.

INTRODUCTION

By now, most smaller churches and ministries across America are probably aware they are exempt from the employer mandate of the Affordable Care Act (ACA) because they have fewer than 50 full-time equivalent employees (FTEs).¹ That's the good news.

The bad news: Without even knowing it, many of these same organizations may be subjecting themselves to **penalties of up to \$100 per employee, per day, per violation** for making voluntary healthcare payments on behalf of employees (i.e., for individual policy premiums or for other out-of-pocket medical costs) that do not comply with ACA market reforms. These onerous penalties became effective for health plan years beginning on or after January 1, 2014, so care must be taken now to understand and follow the existing guidance.

UPDATE: In February, the IRS issued Notice 2015-17 providing limited transition relief to certain smaller employers from the ACA market reform excise tax penalties until June 30, 2015. The transition relief only applies to organizations with fewer than 50 FTEs. While payments or reimbursements for the cost of employees' individual health insurance policy premiums are entitled to relief, other forms of noncompliant healthcare payments or reimbursements (e.g., out-of-pocket medical expense reimbursements under a stand-alone health reimbursement arrangement (HRA)) will still be subject to excise tax penalties.

Description of Payment/Reimbursement Arrangement:	Penalties waived until 6/30/15?
Employer with <i>50 or more FTEs</i>	No
Employer with <i>fewer than 50 FTEs</i> that paid/reimbursed the cost of individual health insurance policy premiums for employees	Yes
Employer with <i>fewer than 50 FTEs</i> that paid/reimbursed health care expenses other than individual health insurance policy premiums	No

¹ Or less than 100 FTEs through 2015.

Background

For decades, it has been the common practice of many smaller churches and ministries that are unable to offer group health insurance coverage to assist employees with the cost of their individual health insurance coverage (see page 5) and/or other out-of-pocket medical expenses (see page 7). Employers would pay these costs directly on behalf of employees or provide employees with reimbursements after incurring the expenses. If certain formalities were followed, generally these arrangements were blessed by the IRS and even allowed on a tax-free basis for employees.

That all changed recently as the result of the issuance of certain guidance relating to the ACA market reforms. When the ACA guidance was initially issued related to reimbursements,² it was clear that the tax-free reimbursement of individual healthcare insurance premiums would trigger an excise tax of \$100 per employee, per day, per violation. However, many people interpreted the initial guidance as permitting the employer to avoid ACA excise tax problems if they reimbursed the individual healthcare insurance premiums on a post-tax basis.

A year later, the government issued additional guidance³ clarifying (changing its position) that an employer is not permitted to reimburse individual healthcare insurance premiums on either a pre- or post-tax basis. That means employers who adjusted their practices to align with the initial guidance by paying after-tax reimbursements should discontinue these payments or reimbursements on either a pre- or post-tax basis to avoid excise tax liability. (As noted above, some employers may qualify for transition relief from excise tax penalties until June 30, 2015.)

Excise tax liability

Smaller churches and ministries are most likely to be impacted by these penalties. This is because employers with 100 or more full-time equivalent employees (FTEs) are subject to the ACA mandate to provide qualified group coverage to employees beginning with their 2015 health plan year. Similarly, employers with 50 or more FTEs who qualify for the employer mandate transition relief for 2015 must provide group health coverage beginning in 2016.

² IRS Notice 2013-54 published on September 13, 2013.

³ “FAQs about Affordable Care Act Implementation (Part XXII)” prepared jointly by the Departments of Labor (DOL), Health and Human Services (HHS), and the Treasury published on November 6, 2014.

Employers subject to excise taxes under the market reform rules are required to self-report on IRS Form 8928. Employers have the option to enter “0” for the excise tax due if they believe the failure to comply was due to reasonable cause and not due to wilful neglect, and the failure was corrected during the 30-day period beginning on the first date anyone liable for the tax knew, or exercising reasonable diligence would have known, that the failure existed.⁴

UPDATE: Organizations that qualify for the transition relief rules in IRS Notice 2015-17 need not file Form 8928 to self-report violations for noncompliant payments or reimbursements made in 2014 or for the first half of 2015 (through June 30, 2015).

Description of Payment/Reimbursement Arrangement:	Form 8928 waived until 6/30/15?
Employer with <i>50 or more FTEs</i>	No
Employer with <i>fewer than 50 FTEs</i> that paid/reimbursed the cost of individual health insurance policy premiums for employees	Yes
Employer with <i>fewer than 50 FTEs</i> that paid/reimbursed health care expenses other than individual health insurance policy premiums	No

Organizations that may be affected by these penalties should consult with their professional advisors immediately for guidance on any potential liability for past noncompliant reimbursements and to properly structure future healthcare plans and payments.

⁴ While employers may avoid the full excise tax penalties due to reasonable cause, the government may still demand some type of minimum tax payment from the employer under Internal Revenue Code Section 4980(D) depending on the circumstances. Organizations should consult with their professional tax advisors before filing Form 8928.

Exceptions

For employers without a group healthcare plan, there are still a few exceptions to the general rules discussed above. The following types of arrangements remain exempt from the ACA market reforms:

- One-participant⁵ health plans
- Accident-only coverage
- Disability income
- Certain limited-scope dental and vision benefits
- Certain long-term care benefits
- Benefits under an employee assistance program, if the program does not provide significant benefits in the nature of medical care treatment and satisfies certain additional requirements

5 The exact language from the Internal Revenue Code is that the one-participant health plan exception applies to “any group health plan for any plan year if, on the first day of such plan year, such plan has less than 2 participants who are current employees.” Notice 2015-17 provides that an employer that is an S corporation cannot set up a separate health plan for each of its employees and fall within the one-employee health plan exception. Although the notice only addresses this rule in connection with S corporation reimbursement arrangements, the IRS previously informally indicated that this rule would also apply for purposes of arrangements under which any type of employer (for-profit or nonprofit) paid or reimbursed the cost of individual insurance premiums. In addition, an employer with more than one employee that limits coverage under the reimbursement arrangement to only one employee may violate certain nondiscrimination requirements applicable to group health plans, so that premium reimbursements are taxable.

ROAD 1: Employer Pays for Individual Health Insurance Coverage

The payment/reimbursement of individual health insurance policy premiums was a very popular option in the past for smaller churches and ministries that desired to help employees with rising health care costs but could not afford group coverage.

Now, unless an exception applies (see page 4), individual health insurance coverage payments or reimbursements are generally subject to the ACA market reform excise taxes of up to \$100 per employee, per day, per violation. While certain employers may qualify for transition relief from excise tax penalties through June 30, 2015 (see page 1), churches and ministries should discontinue these payment or reimbursement arrangements to avoid potential, future excise tax liability.

Example 1: A church with more than one employee does not offer group health insurance coverage to its employees. Instead, the church reimburses the policy premiums incurred by its pastors and other staff members. Regardless of whether the reimbursements have been made on a pre- or post-tax basis, the church should stop making these reimbursements because they do not comply with the market reforms of the ACA and may be subject to penalty taxes of up to \$100 per employee, per day, per violation.



Example 2: The same facts as Example 1, except the church has only one employee, so it falls within an exception to the ACA market reforms. The reimbursements of the individual health insurance policy premiums would be tax-free to the employee and not result in excise tax penalties to the organization.



Summary

If church and ministry employers have been paying or reimbursing the cost of individual health insurance policy premiums for employees (on a pre- or post-tax basis), they should STOP before June 30, 2015 and consult with their professional tax advisors on appropriate next steps. While payments under these plans may not constitute taxable income to employees, more importantly, they may subject the organization to significant tax penalties for noncompliant reimbursements under the ACA. (Note: This represents a major shift from what has been common practice at many smaller employers over the last several decades.)

ROAD 2: Employer Pays Out-of-Pocket Medical Expenses (Not in Conjunction with Group Coverage)

Some churches and ministries may suggest the idea of simply reimbursing the out-of-pocket medical expenses (e.g., doctors' fees, prescriptions, over-the-counter medical items, deductibles, co-pays, etc.) that their employees incur throughout the year instead of providing health insurance coverage. Unfortunately, the ACA market reforms also preclude this sort of arrangement from being a viable alternative (unless an exception on page 4 applies). Additionally, the excise tax transition relief described on page 1 does not apply to payments or reimbursements of employee out-of-pocket medical expenses made through noncompliant, stand-alone health reimbursement arrangements (HRAs).

Payments/reimbursements of out-of-pocket medical expenses are not permitted unless an employer sponsors a formal health reimbursement arrangement (HRA) or health flexible spending account (FSA) in conjunction with a qualified group healthcare plan that meets ACA requirements (see page 11).

Example 1: A church with more than one employee does not offer group health insurance coverage to its employees. Instead, the church has been reimbursing the out-of-pocket medical expenses incurred by its pastors and other staff members throughout the year. Regardless of whether the reimbursements have been made on a pre- or post-tax basis, the church must stop the reimbursements immediately because they do not comply with the market reforms of the ACA and may be subject to penalty taxes of up to \$100 per employee, per day, per violation.



Example 2: The same facts as Example 1, except the church has only one employee. Reimbursements of the out-of-pocket medical expenses may be tax-free to the employee and may not result in excise tax penalties to the organization. Organizations should consult with their professional tax advisors for guidance.



Summary

If church and ministry employers have been paying or reimbursing out-of-pocket medical expenses of their employees without a formal plan offered in conjunction with qualified group health insurance coverage, they should STOP immediately and consult with their professional tax advisors on appropriate next steps. Not only would payments/reimbursements of out-of-pocket medical expenses presumably constitute taxable income to employees, but even more importantly, they may subject the organization to significant tax penalties for noncompliant reimbursements. (Note: This represents a major shift from what has been common practice at many smaller employers over the last several decades.)

ROAD 3: Employer Makes No Healthcare-Related Payments

A perfectly acceptable alternative for smaller churches and ministries is to make no healthcare-related payments whatsoever for their employees because they are not within the reach of the ACA's employer mandate,⁶ which would otherwise require them to offer group coverage or pay a tax penalty.⁷

Some employers that have stopped making payments or reimbursements for individual health insurance coverage (see page 5) or out-of-pocket medical expenses (see page 7) that were allowed before the ACA may be able to offset the economic reality of the discontinued reimbursements to employees by increasing overall taxable compensation without tying the raise to required payments for health care. While the increased compensation would be taxable to employees, IRS Notice 2015-17 confirms this alternative does not violate the ACA market reforms and will not result in excise tax penalties to the organization.

For instance, an employer could tell all eligible employees that they are discontinuing any healthcare-related payments and increasing all eligible employees' pay by \$X per month. Employees are then free to use (or not to use) this money to purchase individual coverage on the Marketplace (perhaps qualifying for a subsidy) or through a private health insurance provider. However, offering that \$X per month only to those who buy coverage would be prohibited.

Employees could also set aside a portion of the additional taxable compensation to help pay for their other out-of-pocket medical costs incurred throughout the year and itemize medical expenses on Schedule A of their tax returns if these expenses exceed 10% of adjusted gross income for the year.

⁶ Employers with 50 to 99 full-time equivalent employees (FTEs) qualifying for the transition relief from the employer mandate must satisfy certain reporting obligations concerning health coverage beginning in 2015; however, they have until 2016 to comply with the coverage requirements or pay tax penalties.

⁷ Notwithstanding, employees would still need to comply with the individual mandate.

Example: A ministry with more than one employee that was previously reimbursing individual health insurance policy premiums for its staff has discontinued these payments to avoid penalties for noncompliant reimbursements under the ACA market reforms. To help offset the economic reality of these discontinued reimbursements to employees, the ministry chooses to increase taxable compensation without tying these raises to required payments for healthcare. The ministry's actions should not result in excise tax penalties based on the latest ACA market reform guidance.



Summary

Increasing overall taxable compensation to employees without tying the raises to healthcare-related payments may be attractive to some smaller employers as a way to avoid penalties associated with noncompliant reimbursements and to offset the economic burden to employees who are no longer allowed to receive reimbursements (taxable or tax-free) for healthcare-related costs.

ROAD 4: Employer Pays for Group Health Insurance Coverage

Even though smaller churches and ministries are not subject to the employer mandate, they may still continue to offer group healthcare coverage for their employees.⁸ Group coverage can be obtained through the Small Business Health Options Program (SHOP) Marketplace or through a private insurer.

While this option may be cost prohibitive for some organizations, it also comes with some of the best tax advantages for employers and employees. Additionally, employers may be entitled to a health care tax credit to offset the cost of providing group coverage if certain conditions are met (see [Health Care Tax Credits for Smaller Churches and Nonprofits](#) in the ECFA Knowledge Center for more information).

The tax benefits of offering group health insurance coverage to employees include the following:

- Employers do not face penalties for noncompliant reimbursements.
- Payments of group premiums do not represent taxable income to employees.
- Once group coverage is offered, employers also have the option to establish tax-advantaged healthcare payment arrangements, such as HRAs and health FSAs.



Health Flexible Spending Accounts (FSAs)

An employer can sponsor a formal health FSA, funded on a pre-tax basis from employee compensation, without being subject to the ACA market reform rules and penalties if provided in conjunction with a qualified group healthcare plan that meets ACA requirements and certain additional requirements are satisfied.

⁸ This discussion assumes the coverage represents a qualified group health plan meeting the requirements of the ACA.

Health Reimbursement Arrangement (HRA)

An employer can sponsor a formal HRA without being subject to the ACA market reform rules and penalties if provided in conjunction with a qualified group healthcare plan that meets ACA “integration” requirements set forth in IRS guidance, as well as certain nondiscrimination requirements.

Example: A ministry offers qualified group health care coverage to its employees. The payments are tax-free to employees and do not result in ACA excise tax penalties to the ministry. The ministry may also offer a health FSA or an HRA that is properly integrated with its group health insurance plan.

Summary

Providing qualified group health insurance coverage to employees offers the most tax advantages of all the options, but it also may be cost prohibitive for some smaller churches and ministries, depending on coverage needs and availability.

ROAD 5: Non-Insurance Arrangements: Health Care Sharing Ministries

Finally, some churches and ministries may consider a non-insurance arrangement: participation by their employees in health care sharing ministries. One of the most attractive features of health care sharing ministries is that they provide participants with an exemption from the individual mandate and its related penalties.

However, there are a few other important considerations for employers and employees to keep in mind with respect to this approach:

- Payments/reimbursements for employees' participation in health care sharing ministries may constitute taxable compensation to employees because the arrangements do not meet the traditional definition of qualified group health insurance coverage.
- Similarly, employers may be unable to pair HRAs or FSAs with health care sharing ministries because they do not meet the traditional definition of qualified group health insurance coverage.
- Finally, it is also unclear whether employer payments/reimbursements for employees' participation in health care sharing ministries are subject to the ACA market reform excise taxes.

Example: A church with more than one employee does not offer group health insurance coverage to its employees. Instead, the church reimburses the costs incurred by its pastors and other staff members to participate in a health care sharing ministry. It is unclear whether these payments represent taxable income to employees. The payments may also subject the church to excise tax penalties under the ACA market reforms. There is also no published guidance concerning whether the church may offer an HRA or FSA in conjunction with the health care sharing ministry.

Organizations considering the option of health care sharing ministries should review the tax implications with the health care sharing organization and their professional advisors.

CONCLUSION

We hope this resource has brought greater clarity to the maze of issues and alternatives surrounding healthcare reimbursements under the ACA. There are a number of important factors to consider when evaluating which option may be best suited for your church or ministry. We highly recommend seeking the advice of professional counsel to assist in your decision-making and to help guard against possible liability exposure for noncompliance.

FAQs Related to Healthcare Reimbursements Under the ACA

Note: The purpose of these FAQs is to present highly focused information on the healthcare reimbursement aspects of the Affordable Care Act (ACA) based on the information available as of the date of this publication (March 10, 2015). This text is provided with the understanding that ECFA is not rendering legal, accounting, or other professional advice or service. Professional advice on specific issues should be sought from an accountant, lawyer, or other professional.

“One participant” exception

- Q1.** Our church has only one employee and reimburses that employee for personally secured health insurance (an individual health insurance plan). Is this reimbursement subject to the ACA excise tax penalties? Is it taxable compensation to the employee?
- A1.** This arrangement falls within the “one participant” exception to the ACA market reforms, so excise tax penalties would not apply (regardless of whether the policy is purchased through a private insurer or through the ACA health care exchange). Additionally, the reimbursement would not represent taxable income to the one employee.
- Q2.** Our church has three employees, but we only reimburse one of them for personally secured health insurance. Is this reimbursement subject to the ACA excise tax penalties?
- A2.** No. Even though the church has three employees, because only one of them participates in the reimbursement arrangement, it falls within the “one participant” exception to the ACA market reforms. However, depending on the facts of each particular situation, the employer may violate certain nondiscrimination requirements applicable to group health plans, which would make the premium reimbursements taxable to the employee.

Paying health insurance for an individual plan; paid directly to the insurer

Q3: Our ministry does not provide group health insurance to our staff. We have increased compensation to each staff member without conditioning the payments on the purchase of individual health insurance. For two of the employees, we are making payments directly to their insurer, using an after-tax salary reduction approach. Are we subject to the ACA excise taxes? Must we file Form 8928?

A3: No and no. Based on guidance issued in November 2014, it is permissible for an employer to withhold the premium amount, upon the employee's request, from the employee's salary and transmit the funds directly to the insurer. The key is that the employee must have the right to use the increased salary any way the employee chooses. The employee must also have the right to terminate the premium withholding and pay the premiums directly.

Since this is an after-tax salary reduction method, the amounts withheld and paid directly to the insurer have no impact on the employee's Form W-2.

Q4. Our church does not provide group health insurance coverage. However, we pay health insurance premiums for several employees directly to the insurance company providing their health insurance. We do not withhold these amounts from the employees' compensation—the church merely pays the premiums from church funds. Will this process trigger ACA penalties?

A4. Yes. Whether the payments are made on a pre- or post-tax basis, the church is subject to ACA penalty taxes. What distinguishes this example (noncompliant) from the previous one (compliant) is that the church in this scenario has tied the payments directly to health care expenses on behalf of employees. Again, the key is that an employee must have the right to use the increased salary any way the employee chooses for the payments to be ACA compliant.

Reimbursing for Medicare coverage

- Q5.** Can our church reimburse for Medicare Part B or Part D premiums incurred by an employee?
- A5.** IRS Notice 2015-17 confirms that payments or reimbursements for Medicare Part B or Part D premiums violate the ACA market reforms unless properly integrated with an employer's group health care plan (Medicare coverage is not considered a group health plan). See the Notice for detailed integration requirements. Medicare Part B or Part D reimbursement plans with only one participant are exempt from the ACA market reforms, and transition relief from excise tax penalties may apply to certain employers through June 30, 2015.
- Q6.** What about reimbursing for Medicare supplement premiums?
- A6.** Payments of Medicare supplement premiums are distinguishable from the previous question. Medicare supplement plans appear to be an excepted benefit.

Reimbursing for COBRA coverage

- Q7.** What about paying for or reimbursing COBRA premiums for group health plan coverage provided by an employee's former employer where the employing church does not sponsor its own group health plan?
- A7.** If the church is only reimbursing an employee for COBRA premiums for group health plan coverage provided by an employee's former employer, there are some special rules on how these reimbursements can be accomplished on a pre-tax basis.

Form W-2 Reporting Issues

- Q8.** If an employer taxed an employee on health care premium reimbursements during 2014, thinking that taxation would solve their ACA market reform problems, can they now (in light of the transition relief from ACA penalties) amend the W-2 issued to that employee for 2014 and treat the reimbursement as pre-tax rather than taxable?

A8. Yes, the employer can do that, if it wants to go to that trouble. This answer also means that the employer can treat reimbursed premiums as pre-tax for the first half of 2015, due to the transition relief provided in the Notice, if the reimbursement arrangement complies with the requirements of Revenue Ruling 61-146.

Flexible Spending Accounts (FSAs)

Q9. Our church does not provide health insurance coverage to its employees, but provides a health flexible spending account (FSA). Can we continue to provide the FSA without penalty since no employer contributions are made to the FSA—it is totally funded by employee salary reductions?

A9. No. An employer must offer health FSAs in conjunction with qualified group health insurance coverage for the health FSA to be exempt from the ACA market reforms.

Health Reimbursement Arrangements (HRAs)

Q10. Our church does not provide group health insurance for our employees. Can we provide a health reimbursement arrangement (HRA) for our pastor if he would be the only participant in the potential HRA plan?

A10. Yes. This arrangement would fall within the “one participant” exception to the ACA market reforms. However, if the church has more than one employee, the employer may violate certain nondiscrimination requirements applicable to group health plans, so that HRA reimbursements are taxable.

Q11. How can a church be sure that its HRA is properly integrated with the church’s group health insurance plan?

A11. The integration requirements are described in IRS Notice 2013-54.

Q12. If all the church employees are covered by group health plans that are not maintained by the church (i.e., the church employees are covered by spousal plans, etc.), can our church adopt an HRA and it be considered integrated with the non-church group health plan?

A12. No. A church-adopted HRA needs to be integrated with the church’s own group health insurance plan.

Q13. If we do not offer a group health insurance plan, may we use an HRA to reimburse our employees for the cost of health insurance coverage provided through the employee's spouse's employer?

A13. No. An HRA cannot be used to reimburse the employee for these costs without the employer offering its own group health plan (and integrating the HRA with its group plan in a manner that satisfies the ACA integration rules).

Health Savings Accounts (HSAs)

Q14. Can our church make health savings accounts (HSA) contributions for our staff without incurring ACA penalties?

A14. Yes, but HSAs must be offered in conjunction with a high-deductible group health plan from the church that meets ACA requirements.

Payment of Out-of-Pocket Medical Expenses for Staff

Q15. Our church does not provide group health insurance, but pays out-of-pocket medical expenses for its employees. Must we stop this reimbursement practice, or is it acceptable to treat the payments as taxable compensation?

A15. Under the ACA market reforms, employers can no longer make out-of-pocket medical expense reimbursements, unless they also offer a formal HRA or health FSA in conjunction with a qualified group health insurance plan that satisfies certain requirements.

Form 8928

Q16. If our ministry has 50 or more full-time equivalent employees (FTEs), do we qualify for the transition relief from excise tax penalties as described in IRS Notice 2015-17? Are we required to file Form 8928?

A16. The ministry would not qualify for the transition relief only available to organizations with fewer than 50 FTEs and would be required to file Form 8928. Depending on the facts and circumstances, the ministry may have the option of requesting no penalty on Form 8928 due to reasonable cause (see page 3).

Q17. Our church's healthcare premium reimbursement plan qualifies for the transition relief from the ACA penalties for 2014. Based on Notice 2015-17, are we subject to filing Form 8928 for 2014?

A17. No.

Q18. Our church meets the "one participant" exception. Do we need to file Form 8928?

A18. No.

Q19. We believe we are subject to filing Form 8928. Does Form 8928 need to be attached to, or filed with, any other IRS form?

A19. No. It is a stand-alone filing.

Q20. We offered an FSA plan effective January 1, 2015, but we do not offer a group health insurance plan. Will we need to file Form 8928 for 2015 (the FSA plan is a calendar year plan)?

A20. If you conclude the plan by June 30, 2015, there is no requirement to file Form 8928. If you continue the plan past June 30, 2015, you are subject to filing the form.

Form **8928**(Rev. December 2013)
Department of the Treasury
Internal Revenue Service**Return of Certain Excise Taxes Under
Chapter 43 of the Internal Revenue Code**
(Under sections 4980B, 4980D, 4980E, and 4980G)

OMB No. 1545-2148

► Information about Form 8928 and its separate instructions is at www.irs.gov/form8928.Filer's tax year beginning
A Name of filer (see instructions)B Filer's employer identification
number (EIN)

Number, street, and room or suite no. (if a P.O. box, see instructions)

E Plan sponsor's EIN

City or town, state or province, country, and ZIP or foreign postal code

F Plan year ending (MM/DD/YYYY)

C Name of plan

G Plan number

D Name and address of plan sponsor

Part I Tax on Failure To Satisfy Continuation Coverage Requirements Under Section 4980B
Complete a separate Part I, lines 1 through 6, for failures due to reasonable cause and not to willful neglect, and a separate Part I, lines 12 through 14, for other failures, for each qualifying event for which one or more failures to satisfy continuation coverage requirements that occurred during the reporting period (see instructions).**Section A - Failures Due to Reasonable Cause and Not to Willful Neglect**

- | | For
IRS
Use
Only |
|---|---------------------------|
| 1 Enter the total number of days of noncompliance in the reporting period | 1 |
| 2 Enter the number of qualified beneficiaries for which a failure occurred as a result of this qualifying event | 2 |
| 3 If you entered 2 or more on line 2, multiply line 1 by \$200. Otherwise, multiply line 1 by \$100 | 3 |
| 4 If the failure was not discovered despite exercising reasonable diligence or was corrected within the correction period and was due to reasonable cause, enter -0- here, and go to line 5. Otherwise, enter the amount from line 3 on line 6 and go to line 7 | 4 |
| 5 If the failure was not corrected before the date a notice of examination of income tax liability was sent to the employer and the failure continued during the examination period, multiply \$2,500 by the number of qualified beneficiaries for whom one or more failures occurred (multiply by \$15,000 to the extent the violations were more than de minimis for a qualified beneficiary). If the failures were corrected before the date a notice of examination was sent, enter -0- | 5 |
| 6 Enter the smaller of line 3 or line 5 | 6 |
| 7 If there was more than one qualifying event, add the amounts shown on line 6 of all forms, and enter the total on a single "summary" form. Otherwise, enter the amount from line 6 above | 7 |
| 8 Enter the aggregate amount paid or incurred during the preceding tax year for a single employer group health plan or the amount paid or incurred during the current tax year for a multiemployer health plan to provide medical care | 8 |
| 9 Multiply line 8 by 10% (.10) | 9 |
| 10 Amount from section 4980B(c)(4) | 10 |
| 11 Enter the smallest of lines 7, 9, or 10. For a third-party administrator, HMO, or insurance company, the amount you enter on this line filed for all plans you administer during the same tax year cannot exceed \$2 million; reduce the amount you would otherwise enter on this line to the extent the amount for all plans would exceed this limit | 11 |
| 12 | 12 |

Section B - Failures Due to Willful Neglect or Otherwise Not Due to Reasonable Cause

- | | For
IRS
Use
Only |
|---|---------------------------|
| 12 Enter the total number of days of noncompliance in the reporting period | 12 |
| 13 Enter the number of qualified beneficiaries for which a failure occurred as a result of this qualifying event | 13 |
| 14 If you entered 2 or more on line 13, multiply line 12 by \$200. Otherwise, multiply line 12 by \$100. | 14 |
| 15 If there was more than one qualifying event, add the amounts shown on line 14 of all forms, and enter the total on a single "summary" form. Otherwise, enter the amount from line 14 above | 15 |
| 16 | 16 |

Section C - Total Tax Due Under Section 4980B

16 Add lines 11 and 15

Cat. No. 37742T

Form 8928 (Rev. 12-2013)

For Paperwork Reduction Act Notice, see instructions.

Part II Requirements Under Section 4980D
Complete a separate Part II, lines 17 through 28, for failures due to reasonable cause and not to willful neglect, and a separate Part II, lines 29 through 33, for other failures, for each qualifying event for which one or more failures to satisfy continuation coverage requirements that occurred during the reporting period (see instructions).

- | | For
IRS
Use
Only |
|----|---------------------------|
| 17 | 17 |
| 18 | 18 |
| 19 | 19 |
| 20 | 20 |
| 21 | 21 |
| 22 | 22 |
| 23 | 23 |
| 24 | 24 |
| 25 | 25 |
| 26 | 26 |
| 27 | 27 |
| 28 | 28 |

- | | For
IRS
Use
Only |
|----|---------------------------|
| 29 | 29 |
| 30 | 30 |
| 31 | 31 |
| 32 | 32 |
| 33 | 33 |

Section C - Total Tax Due Under Section 4980D

34 Add lines 28 and 33

Part III Tax on Failure To Make Comparable Archer MSA Contributions Under Section 4980E

35 Aggregate amount contributed to Archer MSAs of employees within calendar year

36 Total tax due under section 4980E. Multiply line 35 by 35% (.35)

Part IV Tax on Failure To Make Comparable HSA Contributions Under Section 4980G

37 Aggregate amount contributed to HSAs of employees within calendar year

38 Total tax due under section 4980G. Multiply line 37 by 35% (.35)

Part V Tax Due or Overpayment

39 Add lines 16, 34, 36, and 38

40 Enter amount of tax paid with Form 7004

41 Tax due. Subtract line 40 from line 39. If less than zero, enter -0-, and go to line 42. If the result is greater than zero, enter here and attach a check or money order payable to "United States Treasury."

Write your name, identifying number, plan number, and "Form 8928" on your payment

42 Overpayment. Subtract line 39 from line 40

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Print/Type preparer's name	Preparer's signature	Telephone number	Date
Firm's name			Check ☐ if self-employed PTIN
Firm's address			Firm's EIN
			Phone no.

Form 8928 (Rev. 12-2013)



Enhancing Trust

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