
THE GROUP BENEFIT NEWS BULLETIN

IRS: Transitional Relief for Individuals Related to the Individual Mandate Requiring Health Coverage

The IRS released Notice 2013-42 addressing transitional relief for employees and related individuals eligible to enroll in eligible employer-sponsored health plans for non-calendar plan years that begin in 2013 and end in 2014.

Summary:

Section 5000A of the Affordable Care Act requires non-exempt individuals to maintain minimum essential health coverage starting January 1st, 2014 or face a tax penalty for not doing so when they file their tax return. "Minimum essential coverage" includes coverage under an eligible employer-sponsored plan.

Notice 2013-42 states the following: an employee, or an individual having a relationship to the employee, who is eligible to enroll in a non-calendar year eligible employer-sponsored plan with a plan year beginning in 2013 and ending in 2014 (the 2013-2014 plan year) will not be liable for the Section 5000A shared responsibility payment for certain months in 2014. The transition relief begins in January 2014 and continues through the month in which the 2013-2014 plan year ends. The relief provided by the notice applies only for determining a taxpayer's Section 5000A shared responsibility payment for not maintaining minimum essential coverage.

Examples Per Notice 2013-42:

Example 1. Eligible for Enrollment in a Non-Calendar Year Plan for the 2013-2014 Plan Year. Taxpayer B is unmarried and has a 5-year-old daughter, D. B and D are eligible to enroll in a non-calendar year eligible employer-sponsored plan offered by B's employer, X, whose plan year begins on August 1, 2013 and ends on July 31, 2014. Neither B nor D enrolls in X's employer-sponsored plan for the 2013-2014 plan year. Both B and D are eligible for the transition relief provided in this notice for January 2014 through July 2014.

Example 2. Married Individuals each Eligible for Enrollment in a Non-Calendar Year Plan of an Employer for the 2013-2014 Plan Year and in a Calendar Year Plan of the Other Spouse's Employer for 2014. F and G are married. F and G are eligible to enroll in a non-calendar year eligible employer-sponsored plan offered by F's employer, Y, whose plan year begins on August 1, 2013 and ends on July 31, 2014. Neither F nor G enrolls in Y's employer-sponsored plan for the 2013-2014 plan year. In addition, F and G are eligible to enroll in a calendar year eligible employer-sponsored plan offered by G's employer, Z, beginning on January 1, 2014. Neither F nor G enrolls in Z's employer-sponsored plan for the 2014 plan year. Both F and G are eligible for the transition relief provided in this notice for January 2014 through July 2014.

As always, TBPG will continue to monitor all updates and keep you informed of any pertinent information. If you have any questions, please contact your TBPG representative.

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As always, this material is intended for informational purposes only and is not to serve as instruction or legal counsel.