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Arrangements

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Jun. 18, 2015

The [American Institute of CPAs \(AICPA\)](#) wrote top tax lawmakers in Congress yesterday to urge them to enact legislation to exempt certain types of health reimbursement arrangements (HRAs) from the group health insurance requirements of the Affordable Care Act (ACA) so that employers can offer health insurance coverage to more employees.

A health reimbursement arrangement (HRA) is an employer-funded arrangement that reimburses an employee for medical care expenses, including premiums for health coverage, incurred by an employee, on behalf of the employee's spouse, dependents, and any other person. An employer payment plan is a formal or informal arrangement, including an HRA, under which the sole benefit to the employee is direct payment or reimbursement by the employer of the employee's premiums for health coverage.

The coverage is generally obtained by the employee through the individual market, a spouse's employer, through Medicare, or a former employer under the requirements of the Consolidated Omnibus Budget Reconciliation Act (COBRA). Additionally, similar arrangements are provided to partners and more than two-percent shareholders of S corporations where the partnership or S corporation pays for or reimburses the partner or shareholder for health insurance premiums.

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Troy K. Lewis, chair of the AICPA Tax Executive Committee, wrote in the June 17 letter to the chairmen and ranking members of the House Ways and Means Committee and Senate Finance Committee, “The AICPA believes the arrangements support the objective of Congress by expanding affordable health care coverage to employees, partners, more than two-percent S corporation shareholders and sole proprietors by subsidizing the cost of their health coverage. However, in order to avoid the imposition of the excise tax, the amount of which can be catastrophic, many employers have eliminated these arrangements. This result is contrary to the objective of the Affordable Care Act to expand affordable health care coverage to all Americans.”

Consequently, Lewis stated in the letter, “The AICPA urges Congress to enact legislation which would enable all businesses to continue the practice of providing employer payment plans to their employees, and similar arrangements to partners, more than two-percent shareholder-employees of S corporations and sole proprietors.”

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