MEETING THE MANDATE

Church workers must get health insurance—five tips to help them.

By Sarah E. Merkle

On January 1, 2014, the Affordable Care Act’s requirement that all individuals secure healthcare coverage will take effect. The November issue of Church Finance Today discussed tax credits available to churches that provide healthcare insurance coverage to their employees. (See "Health Insurance Credit May Benefit Many Churches," Church Finance Today, November 2013.) But what if your church doesn’t provide healthcare coverage? In this article, I’ll cover the essentials for church employees in search of their own medical insurance.

1. What are the Affordable Care Act’s requirements regarding individual coverage?
Beginning in 2014, all individuals and families who can afford to purchase health insurance must do so. Those who choose not to purchase health insurance are subject to a government-imposed fee and in addition, are required to pay 100 percent of their healthcare costs. The government-imposed fee is known as the “individual shared responsibility payment.”

In 2014, the fee for not purchasing health insurance is 1 percent of an individual’s yearly income or $95 per person for the entire year, whichever amount is greater. Additionally, the 2014 fee for uninsured children is $47.50 per child, with a cap at $285. These fees are not stagnant; they increase each year. Moreover, they are not a substitute for paying healthcare expenses. Uninsured individuals must pay both 100 percent of their healthcare costs and the government-imposed fee.

2. What if an individual or family cannot afford coverage?
Individuals and families who cannot afford coverage can apply for an exemption from the fee that results from failure to secure coverage. This type of exemption is called a “hardship exemption,” and individuals qualify if they have experienced or are experiencing one of the following circumstances:

- Homelessness
- Eviction in the past six months or imminent eviction or foreclosure
- Receipt of a shut-off notice from a utility company
- Domestic violence
- Death of a close family member
- Fire, flood, or other disaster that caused substantial damage to property
Filing for bankruptcy in the last six months
Inability to pay medical expenses in the last 24 months
Increases in necessary expenses due to caring for an ill, disabled, or aging family member
Ineligibility for Medicaid due to residence in a state that did not expand eligibility for Medicaid under the Affordable Care Act

Individuals also qualify for an exemption from the fee if they are uninsured for less than 3 months of the year; if the lowest-priced coverage available to them is greater than 8 percent of their income; if they are a member of a recognized health care sharing ministry; or if they are a member of a religious sect with objections to insurance.

3. How much coverage must individuals and families secure to meet the Act’s requirements?

According to the Affordable Care Act, individuals and families must secure “minimum essential coverage.” The following types of coverage meet this threshold:

- Plans purchased through the HealthCare Marketplace
- Individual insurance plans previously purchased
- Employer Plans (including COBRA and retiree plans)
- Medicare
- Medicaid
- The Children’s Health Insurance Program (CHIP)
- TRICARE
- Veterans healthcare programs
- Peace Corps Volunteer Plans

On their own, the following types of coverage do not qualify as “minimum essential coverage”:

- vision care or dental care coverage
- workers’ compensation
- coverage only for a specific disease or condition
- plans that simply offer discounts on medical services

Individuals who have only these types of healthcare coverage are at risk of paying a fee for being uninsured.

4. How can individuals secure healthcare coverage for themselves and their families?

Individuals who are not covered under an employer-funded health insurance plan have three primary options for securing their own coverage: (1) purchase coverage through the Health Insurance Marketplace, (2) purchase coverage directly from an insurance company, or (3) participate in a healthcare sharing ministry.

Purchasing Coverage through the Health Insurance Marketplace

The Health Insurance Marketplace, sometimes referred to as the “exchange,” is a government-sponsored means of learning what health insurance options are available and comparing them. Individuals looking for coverage can go to healthcare.gov/marketplace/individual and by setting up an account, can conduct a side-by-side comparison of the insurance plans available to them in their state. Plans are presented in categories (e.g., bronze, silver, gold, platinum, and catastrophic) so that individuals can more easily differentiate between them.

KEY DATES FOR PURCHASING COVERAGE THROUGH THE HEALTH INSURANCE MARKETPLACE

October 1, 2013
Health Insurance Marketplace opened for individuals and families to purchase plans.

December 15, 2013
Deadline to enroll in a plan offered through the Marketplace in order to receive coverage beginning on January 1, 2014.

March 31, 2014
Open enrollment through the Marketplace ends. After this date, individuals cannot enroll in a plan through the Marketplace unless they have a qualifying life event (e.g., relocation to another state, marriage, divorce, or birth of a child). Open enrollment will begin again in October 2014.

January 1, 2014
Beginning of coverage under plans purchased through the Marketplace.

The advantages of securing insurance via the Health Insurance Marketplace are threefold: First, all of the plans offered through the Marketplace are “qualified health plans.” This means that, among other things, they are guaranteed to provide certain essential health benefits and follow specific guidelines regarding deductibles and copayments. Second, purchasing a plan through the Marketplace allows for adjusted premiums and out-of-pocket costs based on household income and size. For example, a family of four that registers a household between $23,550 and $84,200 is eligible for lower premiums. The premium savings are distributed through a tax credit that can be applied directly to the premium each month. Finally, purchasing a plan through the Marketplace ensures individuals that they will not be turned away because they have a specific medical condition. All Marketplace plans are required to cover the treatment of pre-existing conditions.

Purchasing Coverage Directly from an Insurance Company

Individuals are not required to purchase health coverage through the Health Insurance Marketplace. As in the past, coverage can be purchased directly from an insurance company.

The disadvantage to shopping for coverage outside of the Marketplace is that insurance companies are not required to adjust premiums and out-of-pocket costs based on income, nor are they required to cover pre-existing conditions. However, if an individual's income is high enough that he/she would not qualify for an adjustment through the Marketplace, and pre-existing conditions are not a concern, shopping elsewhere might provide additional health coverage options.

Participating in a Healthcare Sharing Ministry

Healthcare sharing ministries present an alternative to traditional health insurance. Participants in these ministries pay premiums (at a level of their choice), but unlike traditional insurance, the sums participants pay are matched with the medical bills of other eligible participants. Moreover,
FINANCIAL Q&A

REPORTING GIFTS ON W-2s

Are gift certificates to church staff taxable?

By Richard R. Hammar

Q: We provide every employee with a gift certificate of $20 on his or her birthday that can be used at a nearby restaurant. We have always assumed that these gifts are not taxable income, and so we have not included them on employees’ W-2 forms at the end of the year. But a few staff members insist that this is a taxable fringe benefit. Who is correct?

A: In general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. De minimis benefits are excluded from tax under section 132(a)(4) of the tax code and include:

- Occasional employee use of photocopy
- Occasional snacks, coffee, doughnuts, etc.
- Holiday gifts
- Occasional meal money or transportation expense for working overtime
- Flowers, fruit, books, etc., provided under special circumstances
- Personal use of a cell phone provided by an employer primarily for business purposes

In determining whether a benefit is de minimis, you should always consider its frequency and value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount. The IRS has ruled previously in a particular case that items with a value exceeding $100 could not be considered de minimis, even under unusual circumstances.

Cash cannot be a de minimis fringe benefit since accounting for it is never unreasonable or impractical. An exception is provided for occasional meal or transportation money to enable an employee to work overtime. The benefit must be provided so that the employee can work an unusual, extended schedule. The benefit is not excludable for any regularly scheduled hours, even if they include overtime. The employee must actually work the overtime. Meal money calculated on the basis of number of hours worked is not de minimis and is taxable wages.

Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not a de minimis benefit and are taxable. The IRS maintains that “a certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.”

If a benefit qualifies for exclusion, no reporting is necessary. If it is taxable, it should be included in wages on Form W-2 and is subject to income tax withholding (unless exempt, as in the case of a minister who has not elected voluntary withholding). If the employees are covered for Social Security and Medicare, the value of the benefits is also subject to withholding for these taxes. Again, this is not true for ministers with respect to compensation received from the exercise of ministry. As to such services, ministers are self-employed for Social Security and pay the self-employment tax.

To submit a question for consideration in a future Q&A, email: CFEeditor@ChristianityToday.com.
Tax Calendar

Important Tax Deadlines in January 2014

In addition to regular semiweekly and monthly withholding requirements, note the following tax deadlines for next month.

January 1

- Churches having nonminister employees (or a minister who has elected voluntary withholding) should begin withholding federal income taxes according to the new tables and instructions contained in the 2014 edition of IRS Publication 15 (Circular E). You can order a copy by calling the IRS at 1-800-829-3676, or you can download it from irs.gov.

- This is the ideal time to reclassify a self-employed minister or lay worker as an employee for federal income tax reporting purposes.

January 15

- Ministers (who have not elected voluntary withholding) and self-employed workers must file their quarterly estimated federal tax payment for 2013 by this date (a similar rule applies in many states to payments of estimated state taxes). Church employees that filed a timely Form 8274 (waiving the church’s obligation to withhold and pay FICA taxes) are treated as self-employed for Social Security, and are subject to the estimated tax deadlines with respect to their self-employment (Social Security) taxes unless they have entered into a voluntary withholding arrangement with their employing church.

January 31

- Churches must issue a 2013 W-2 form ("wage and tax statement") to each employee by this date. This requirement applies to all lay employees, and to ministers who report their federal income taxes as employees rather than as self-employed even though they are not subject to federal tax withholding.

- By this date, churches must issue a 2013 1099-MISC form ("statement for recipient of miscellaneous income") to any self-employed person to whom the church paid nonemployee compensation of $600 or more in 2013. Some exceptions apply.

- Churches must issue a 2013 1099-INT form to any person to whom it paid $600 or more in interest during 2013 prior to this date (a $10 rule applies in some cases).

- Churches having nonminister employees (or one or more ministers who report their federal income taxes as employees and who have elected voluntary withholding) must file an employer’s quarterly federal tax return (Form 941) for the fourth calendar quarter of 2013 by this date. Enclose a check in the total amount of all withheld taxes if less than $2,500 on December 31, 2013.

- Ministers who use the estimated tax procedure for prepaying their federal taxes are not required to make the fourth quarterly tax payment for 2013 by January 15, 2014 if they file their 2013 federal income tax return (Form 1040) by this date and pay the rest of the taxes they owe.

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