



Small Church Relief from the Affordable Care Act

A new law went into effect January 1, 2017, allowing small employers to reimburse employee's health insurance and medical expenses on a tax-free basis. The Affordable Care Act, signed into law by President Barack Obama in 2010, required large employers to provide group health insurance to their employees and prohibited many small employers from reimbursing employees for individual medical insurance. Small employers were left with only two options: cease reimbursing for medical insurance or increase the worker's taxable income to cover this cost.

The 21st Century Cures Act brings relief to small employers through a "qualified small employer health reimbursement arrangement" (QSEHRA). These QSEHRAs may be set up by employers with fewer than 50 full-time equivalent employees as long as the employer does not offer a group health insurance plan. These QSEHRAs allow reimbursement of individual health insurance premiums and medical expenses for an employee and the employee's family members.

The payments and reimbursements under the QSEHRA cannot exceed \$4,950 for individual coverage or \$10,000 for family coverage, on an annual basis. If an individual is not covered under the QSEHRA plan for the entire calendar year, the dollar limitation must be prorated, based on the number of months the individual is covered.

There are strict legal requirements for establishing and maintaining a QSEHRA. For example, in most situations, every employee has to be covered by the HRA plan. Due to complexities beyond what can be described here, Foursquare recommends that churches use a company specializing in benefits administration if they wish to establish a QSEHRA.

Please contact your district office if you have questions about the 21st Century Cures Act. For a more in depth summary of the new law, please see this article: <http://www.ecfa.org/PDF/QSEHRA%20Client%20Alert.pdf>