BREAKING NEWS

For Immediate Release:

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Employee Benefits
MMA Western Edition

TAX CUT AND JOBS ACT OF 2017 BECOMES LAW

Congress, with the signature of President Trump, has passed the Tax Cut and Jobs Act of 2017. This law provides tax cuts to the general population and corporations. It also includes a provision which impacts individuals and their potential shared responsibility payment for failing to have minimum essential coverage under the Affordable Care Act (ACA).

Executive Summary:

- On December 20, 2017 Congress passed, and President Trump signed, the Tax Cut and Jobs Act of 2017 (The Act).
- The impact of the Act on the ACA is that the Individual Mandate penalty would be reduced to $0 for individuals who failed to purchase Minimum Essential Coverage (MEC) for any tax years after December 31, 2018.
- Other topics such as: the Health Insurer Fee, Cadillac Tax, Medical Device Tax, a moratorium on Employer Mandate penalties, or the Children's Health Insurance Program, were not addressed in this tax bill. However, these may be reintroduced in an end-of-year omnibus bill.
- From an employer perspective, employers should prepare employees that after December 31, 2018, the employee will not be subject to a penalty for his/her failure to purchase a medical plan, which includes the employer sponsored plan that is offered by that employer. At this time, employers should also continue abiding by all of the rules they are subject to under the ACA, until further legislation is passed.

Summary of the Tax Cut and Jobs Act

On December 20, 2017 Congress passed, and President Trump signed, the Tax Cut and Jobs Act of 2017 (The Act). Specifically, the Act provides for certain tax cuts to corporations and individuals. The Act also addresses a provision within the ACA, called the Individual Mandate (a.k.a. Individual Shared Responsibility Payment).

As background, any legal residents or US citizens who fail to have Minimum Essential Coverage (e.g., medical coverage) would be subject to a penalty when they file their tax returns. For 2017, the penalty is the **greater** of, either:

1) **The Flat Dollar Amount**: $695 per adult, and $347.50 per child, per year, in a tax household (up to a flat dollar amount of $2,085 for the entire tax household); or

2) **The Percentage of Household Income Amount**: 2.5% of a family's household income, in excess of the 2017 income tax filing threshold.

Essentially, the Act now reduces the above penalty amounts to $0 for any tax years on or after December 31, 2018.

At this time, other ACA topics such as: the Health Insurer Fee, Cadillac Tax, Medical Device Tax, a moratorium on Employer Mandate penalties, or the Children's Health Insurance Program, are not addressed in this tax bill. However, these could be introduced in different legislation in the form of an end-of-year omnibus bill.

Conclusion

From an employer perspective, employers should prepare employees that after December 31, 2018 the employee will not be subject to a penalty for his/her failure to purchase a medical plan, which includes the employer sponsored plan that is offered by that employer. At this time, employers should also continue abiding by all of the rules they are subject to under the ACA, until further legislation is passed.