

IRS 2014-55 Gives Employers and Employees New Options



Last Thursday, the IRS released [Notice 2014-55](#) in which the agency detailed two new conditions for which a participant in a Section 125 plan could revoke their election. If an employer decides to include these changes, it may make it easier for their employees to secure the most appropriate coverage based upon their needs.

First, a bit of a refresher on some of the important parts of Section 125:

Section 125 allows employers and employees to pay for certain expenditures, such as health insurance, on a pre-tax basis as long as there is a written document governing the provisions in accordance with the law, and employees make prospective elections. The law allows for employers to permit employees to make changes when employees experience certain, specific life events, such as a change in the number of dependents. These events are called Qualifying Life Events.

The two new qualifying events are:

1. An employee has their hours reduced below 30 hours per week, regardless of whether or not the change impacts their eligibility for coverage. The employee (and any covered dependents) must intend to enroll in Minimum Essential Coverage no later than the first day of the second month following the month in which the election is revoked.
2. An employee becomes eligible for enrollment through a marketplace (such as Healthcare.gov), either through a Special Enrollment Period or Annual Open Enrollment. The employee (and any covered dependents) must intend to enroll in a Qualified Health Plan through a marketplace effective no later than the day immediately following the last day of coverage for which the election is revoked.

What this means is that employers who are crafting their staffing strategies to avoid the Shared Responsibility (Employer Mandate) portions of the Affordable Care Act now have a way to allow employees who have been reduced to below 30 hours to drop their group health coverage, providing they will find coverage elsewhere. It also means that an employee can drop group health coverage in

order to enroll in a Qualified Group Health Plan through a Marketplace - eliminating the "election lock" that would have required an employee participating in a non-calendar year plan to forgo coverage for a period of time to elect a plan through a Marketplace.

These new options are available at the employer's discretion, and if an employer wants to make these opportunities to revoke elections a part of their plan, they must amend their Section 125 Plan Document prior to the end of the year for which they want to allow the change. Benefit Tax Link will be drafting and preparing suggested language for these changes and will provide it to all of our Section 125 clients in the coming days.

The full IRS Notice 2014-55 can be found here: <http://www.irs.gov/pub/irs-drop/n-14-55.pdf>

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