the Timberland Group
Employee Benefits & Consulting

Timber Alert

ACA/Compliance – February 2018

INDIVIDUAL MANDATE PENALTY WILL BE ELIMINATED IN 2019

President

Joseph A. King
jaking@timberlandgroup.com

Senior Benefits Consultants

Karen Borowy
kborowy@timberlandgroup.com

Steve Hardin
shardin@timberlandgroup.com

Bob Crisan
bcrisan@timberlandgroup.com

Senior Account Managers

Maura Carpenter
mcarpenter@timberlandgroup.com

Jill Tocco
jtocco@timberlandgroup.com

Account Manager

Nicole Keele
nkeele@timberlandgroup.com

For more information, please contact:

1.800.695.2921

1707 W. Big Beaver Road
Troy, Michigan 48084

www.timberlandgroup.com

HIGHLIGHTS

- **The tax reform bill will eliminate the individual mandate penalty, beginning in 2019**
- **Individuals will no longer be penalized for failing to obtain acceptable health insurance coverage for 2019 and beyond**
- **Individual mandate penalties can still apply for 2017 and 2018**

OVERVIEW

On December 22, 2017, President Donald Trump signed into law the tax reform bill, called the **Tax Cuts and Jobs Act**, after it passed both the U.S. Senate and the U.S. House of Representatives.

This tax reform bill makes significant changes to the federal tax code. The bill does not impact the majority of the Affordable Care Act (ACA) tax provisions. However, it does **reduce the ACA's individual shared responsibility (or individual mandate) penalty to zero, effective beginning in 2019**.

As a result, beginning in 2019, individuals will no longer be penalized for failing to obtain acceptable health insurance coverage.

ACTION STEPS

Although the tax reform bill eliminates the ACA's individual mandate penalty, this repeal does not become effective until 2019.

As a result, **individuals continue to be required to comply with the mandate (or pay a penalty) for 2017 and 2018**. A failure to obtain acceptable health insurance coverage for these years may still result in a penalty for the individual.

IMPORTANT DATES

December 22, 2017
The tax reform bill was signed into law by President Trump.

TAX CUTS & JOBS ACT

2019 Tax Year
Individual mandate penalties will be reduced to zero.

Continued

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THE INDIVIDUAL MANDATE

The ACA's individual mandate, which took effect in 2014, requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. The mandate is enforced each year on individual federal tax returns. Starting in 2015, individuals filing a tax return for the previous tax year indicate, by checking a box on their returns, which members of their family (including themselves) had health insurance mandate). Based on this information, the IRS then assesses a penalty for each nonexempt family member without coverage.

EFFECT OF THE TAX REFORM BILL

The tax reform bill will reduce the ACA's individual mandate penalty to zero, effective beginning with the 2019 tax year. **This effectively eliminates the individual mandate penalty for the 2019 tax year and beyond**. As a result, beginning with the 2019 tax year, individuals will no longer be penalized for failing to obtain acceptable health insurance coverage for themselves and their family members.

IMPACT ON YEARS PRIOR TO 2019

Although the tax reform bill eliminates the ACA's individual mandate penalty, this repeal does not take effect until 2019. As a result, **individuals continue to be required to comply with the mandate (or pay a penalty) for 2017 and 2018**. A failure to obtain acceptable health insurance coverage for these years may still result in a penalty for the individual.

Therefore, nonexempt individuals should continue to maintain acceptable health coverage in 2017 and 2018, and should indicate on their 2017 and 2018 tax returns whether they (and everyone in their family):

- ✓ Had health coverage for the year
- ✓ Qualified for an exemption from the individual mandate; or
- ✓ Will pay an individual mandate penalty.

In addition, keep in mind that individuals who are liable for a penalty for failing to obtain acceptable health coverage in 2018 will be required to pay that penalty when they file their federal income taxes in 2019. As a result, **some individuals may be required to pay the individual mandate penalty in early 2019, based on their noncompliance for the 2018 tax year**.

EFFECT ON OTHER ACA PROVISIONS

Despite the repeal of the individual mandate penalty, employers and individuals must continue to comply with all other ACA provisions. The tax reform bill does not impact any other ACA provisions, including the Cadillac tax on high-cost group health coverage, the PCORI fees and the health insurance providers fee. In addition, the employer shared responsibility (pay or play) rules and related Section 6055 and Section 6056 reporting requirements are still in place.

Source: Zywave