

21st Century Cures Act Establishes Small Employer Health Insurance Reimbursement Accounts

Under the 21st Century Cures Act enacted 12/13/16, certain small employers are allowed to offer Health Reimbursement Arrangements (HRAs) to employees without also offering other health insurance coverage in 2017. The HRA must meet certain requirements and the amount the employer can contribute to the HRA is limited. Additionally, reimbursements to the employee for medical expenses are tax-free only if the employee is enrolled in other health coverage that is minimum essential coverage.

This Act essentially reinstates an old rule that allowed employers to reimburse their employees for medical expenses (including health insurance premiums) as a tax free benefit. However, when the Affordable Care Act (ACA) came into being, the unintended consequence was that these types of arrangements were not longer eligible as a tax free fringe benefit.

Eligible employers are allowed to reimburse medical expenses (as specifically defined in the Internal Revenue Code Section 213(d)) up to a certain amount each year.

There are some requirements that must be met in order for a small employer and its employees to benefit from this new law. For more information contact your advisor at [Schlichting Wixson CPAs](#).