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Delay of Affordable Care Act reporting and Cadillac Tax

Dec. 2015 brought important (and welcome) delays to employers regarding two significant Affordable Care Act (ACA) provisions.

ACA reporting requirements

Under the ACA, employers that sponsor health plans generally are required to comply with certain annual information reporting requirements related to those plans. For example, “applicable large employers” (generally, employers with 50 or more full-time employees and equivalents during the preceding year) must (1) file Internal Revenue Service (IRS) Forms 1094-C and 1095-C with the IRS, and (2) distribute a Form 1095-C to certain employees containing detailed health plan coverage and other information for each month of the calendar year.

On Dec. 28, 2015, the IRS extended the due dates for the ACA information reporting requirements for 2015. The extensions apply with respect to both the filing of forms with the IRS and distribution of forms to individuals. Specifically, the IRS extended the due date (1) for filing 2015 forms with the IRS from Feb. 29, 2016 to May 31, 2016 for paper filers and from March 31, 2016 to June 30, 2016 for electronic filers, and (2) for furnishing 2015 forms to employees from Feb. 1, 2016 to March 31, 2016.

Cadillac plan tax

The ACA imposes a forty percent (40%) excise tax on the portion of certain high-cost employer-sponsored coverage that exceeds a threshold amount (the Cadillac Tax). On Dec. 18, 2015, Congress passed and President Obama signed into law the Consolidated Appropriations Act of 2016 which includes a two-year delay of the implementation of the Cadillac Tax from 2018 until 2020. In addition, the Cadillac Tax originally qualified as a non-deductible tax for employers. However, a deduction for Cadillac Tax payments will now be permitted.

Bipartisan support for the elimination of the Cadillac Tax has been significant, but it remains to be seen whether it will be repealed altogether. Therefore, for now, employers should plan for the implementation of the Cadillac Tax in 2020.

If you have any questions regarding these changes, please contact Todd Cleary or Daniel Barnes of Godfrey & Kahn’s Tax & Employee Benefits Practice Group.