

Affordable Care Act's Impact on Repair Stations

The Affordable Care Act (ACA), passed in 2010, has been on the minds of small businesses since inception. Starting in 2014, when the major requirements go into effect, employers must begin complying with the law. To do so, companies must first understand their classification under the statute and know what is required of them. Below are general guidelines to help most repair stations better understand what they must do to comply with ACA. This should not be construed as either legal or business advice.

The Employer Mandate

Beginning in 2014, the employer mandate, which requires businesses to offer minimum essential coverage to full-time employees, will apply to repair stations depending on the following criteria: the number of full-time employees, whether the repair station offers minimum essential coverage, and the number of employees who qualify for government subsidies to purchase health insurance in the individual exchange.

Large Employers

Repair stations with more than 50 full-time equivalent (FTE) employees are considered "large" employers. FTE employees are those who work an average of 30 hours per week (130 total monthly hours); part-time employees' hours will be converted into FTE employees to determine employer size and subjectivity to penalty (part-time employees are only used to determine a company's size and are not guaranteed minimum essential coverage by large employers). The conversion is calculated by adding cumulative part-time employee hours per month and dividing that number by 120 – the solution is added to the number of FTE employees. For example, twelve employees who work 15 hours each week together put in 720 monthly hours; divided by 120 equals 6 FTE employees. For seasonal or temporary work, repair stations employing 50 or more FTE employees for 120 days or fewer will not be considered large employers.

Large employers are required to offer "minimum essential coverage" that is affordable (premium for self-only coverage must be less than 9.5 percent of the employee's household adjusted gross income) and of minimum value (the plan must cover at least 60 percent of actuarial value). Full-time employees of large employers who receive coverage that is not affordable and of minimum value or those who receive no coverage will qualify for government premium subsidies to purchase coverage through the individual exchange.

For each full-time employee receiving a government premium subsidy, a large employer will be subject to the lesser of a \$3,000 penalty for those certain full-time employees or \$2,000 per full-time employee (minus 30 full-time employees). The employer mandate penalties will be calculated monthly. There will be extra penalties for large employers that have a waiting period of more than 90 days before full-time employees are eligible for minimum essential coverage.

Small Employers

Repair stations with 50 or fewer FTE employees are considered “small” employers and therefore not subject to the employer mandate. A small employer may provide its employees with minimum essential coverage, but will not be penalized if it chooses not to provide plans.

A small business healthcare tax credit has been available to small employers since 2010. From 2014 to 2016, a 50 percent credit is available if the small business purchases health insurance through a Small Business Health Options Program (SHOP) health insurance exchange. The business must pass a series of tests to determine if it qualifies and how much credit it may receive. Businesses with 10 or fewer employees paying \$25,000 or less in average wages are potentially eligible for the full credit. Businesses with 11 to 24 employees and average annual wages of less than \$50,000 may be eligible for some credit. Businesses with more than 25 employees and/or \$50,000 in average annual wages are not eligible for any credit.

Compliance

Beginning in 2012, employers providing minimum essential coverage must distribute an easy-to-read, plain language summary of benefits and coverage to its full-time employee enrollees.

Beginning in 2013, employers will be required to calculate and report the aggregate cost of employer-sponsored insurance coverage on employees’ W-2 forms for their 2012 benefits. Flexible spending accounts, long-term care coverage, Workers’ Compensation Insurance, coverage only for accidents, and specific diseases or hospital/fixed indemnity plans are excluded from the reporting requirement. Healthcare benefits will continue to be a tax-free benefit; the new reporting requirement is simply for informational purposes.

Beginning in 2014, employers will be required to provide employees with written notices on the availability of individual health insurance exchanges, including a description of services and methods of participation. Employers will also be required to inform employees that they may be eligible for a premium tax credit and a subsidy within an individual health insurance exchange if the plan provided by the employer fails the minimum value test.

Also in 2014, any “offering employer” and “non-offering large employers” will be required to report to the IRS and provide their full-time employees information that includes specifics, such as number of full-time employees, to show compliance with the law. Employers offering their employees the opportunity to enroll in minimum essential coverage must also report information proving the employer is making coverage properly available.

This information was gathered using www.healthcare.gov, www.irs.gov, and www.nfib.com/business-resources/healthcare. ARSA is a member of the Small Business Coalition for Affordable Healthcare, an NFIB-run alliance of industry groups. For more information on compliance with the Affordable Care Act, please consult an accountant or tax professional.