



OBAMACARE EMPLOYER MANDATE 2015

The employer Obamacare health insurance mandate goes into effect on January 1, 2015 for employers with more than 100 full-time equivalent employees. This means that employers must offer health insurance for all their employees or pay an employer shared responsibility payment, referred to as a “fee” which is a penalty that is not tax deductible to the employer.

When health insurance is not offered,

this non-deductible employer fee will start at \$2,000 per employee and for a farm with 100 employees, the fee on the first 30 employees will not be charged in 2015 as they are considered exempt, (the first 30% of the employee base is exempt for 2015), but the fee will start on the remaining 70 employees, which is \$140,000 the first year.

The fees get worse if just one of your employees goes to a health insurance

exchange for assistance, then the fee will go up to \$3,000 per employee or \$210,000 for the first year. This is based on a 100 employee farm.

For owners that are involved in multiple LLC’s or partnerships, if an owner owns 50% or more of an entity, then the number of employees for the 100 employee mandate is included from each entity. For example, a farmer owns three

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LLC's and each entity has 35 employees. Then for mandate purposes, it is known as a "controlled group" and these three LLC's would be considered as having over 100 employees. The owner must offer health insurance or will be faced with the fines above.

For farms with 50 to 99 full-time equivalent employees, the employer mandate and fines start January 1, 2016. But care must be addressed in each individual ownership situation as it is extremely common to have an individual with multiple ownership percentages in various entities.

The employer mandate means that employees must be offered insurance and the employer may need to bear some of the cost. The employees also must have the choice to include their dependents in the plan, but the employee must pay 100% of the dependent costs.

To be qualified as "affordable insurance," the employee's share of his or her premium must not exceed 9.5% of their annual household income. Since

in most cases it is not possible to get information from every employee's total household income, it is best to calculate a safe-harbor amount of not charging each employee greater than 9.5% of their annual W-2 income from your farm. For example, if your employee earns \$40,000 per year, than you must not charge them more than \$3,800 per year, or \$316.67 per month for their health insurance. For example, if the employee's monthly premium is \$400 for a "qualified, minimum insurance plan" (one that meets all the bells and whistles of Obamacare) the employer could only withhold \$316.67 per month from the employees check and must pay the \$83.33 difference to the insurance provider for the difference. Under this situation it is much better to offer the insurance then to face penalties. And the employer paid portion above is tax deductible.

If the employee does not want the money withheld, they can decline your farm's insurance offering, but this declaration to be in writing from your employee, and you must retain copies to show proof that a minimum plan is offered.

These plans must be in place by January 1, 2015 for farms with 100 full time equivalent employees. Most of the agricultural and other family owned industries are less than thrilled with this subject, to the point of sheer disappointment with our whole system, but it now looks like our time is quickly running out to get something in place. If the suggested numbers align with net of tax deductions, it makes sense to put the plans in place and to document the program administration properly.

As a next step contact your local health insurance groups for quotes. Acquire quotes on at least the minimum affordable plans and to see what their administrative costs will be, even in the event that the number of your employees may or may not join the plan. Time is of the essence and by the end of next year, most moderate sized farms (over 50 employees) will be required to participate or face the fines. □

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