

POLICY BRIEF

H.R. 2911 (BOUSTANY)/S. 1697 (GRASSLEY) SMALL BUSINESS HEALTHCARE RELIEF ACT

POSITION

The Chamber's Board of Directors voted to SUPPORT H.R. 2911/S. 1697 on September 24, 2015.

***STATUS:** H.R. 2911 was introduced on June 25, 2015 by Congressman Charles Boustany, and referred to the House Ways & Means Committee. Its companion bill, S. 1697, was introduced in the Senate by Charles Grassley on June 25, 2015 and referred to the Committee on Finance. Both bills are currently awaiting committee hearing.*

SUMMARY

H.R. 2911 and its companion bill, S. 1697 would repeal the IRS rule that fines businesses that fail to offer group health plans, but provide compensation for the purchase of insurance or medical expenses, \$100 per day per employee.

ANALYSIS

The IRS rule that would fine employer payment arrangements went into effect in July of 2015. This rule, which was not included in any piece of the Affordable Care Act or its subsequent legislation, poses a significant threat to businesses that are attempting to support their employees by covering or subsidizing their medical bills.

The penalty for a large business that fails to comply with the employer mandate is \$2,000 per year. Conversely, this IRS rule would fine an employer \$36,500 per employee up to \$500,000 total. Furthermore, most small employers are not regularly updated on changes to the Affordable Care Act and the rules surrounding it that are implemented by the IRS without legislative or administrative approval, resulting in businesses that are trying to be good employers walking into substantial fines.

It is important that H.R. 2911 and/or S. 1697 be quickly passed by Congress and signed by the President to avoid such sweeping and unnecessary financial penalties to small businesses.

Overview:

H.R. 2911 and S. 1697 would repeal a recently enacted IRS rule that would fine employers operating an employer payment arrangement to fund employees' healthcare costs.

This rule was not a part of the Affordable Care Act or subsequent legislation and proposes a \$100 per day per employee fine for businesses that are attempting to support their employees. That results in a yearly fine of \$36,500 per employee. In comparison, a large employer out of compliance with the employer mandate is only fined \$2,000 per year.

By repealing the IRS rule, these bills would spare employers trying to do the right thing from disproportionate and unwarranted punishment.