

November 29, 2016

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Democratic Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, DC 20515

Dear Bipartisan Leaders:

We are writing to urge both Chambers to support small business employers who seek to assist their employees with medical expenses through Health Reimbursement Arrangements (HRAs). Section 18001 has been included in the 21st Century Cures Act and would protect small businesses from punitive fines for helping employees with health care costs and restore the ability to provide a flexible and valued benefit. We strongly support Section 18001 and urge passage prior to the end of the legislative session.

Historically, many small business owners reimbursed employees for medical care and services through HRAs. However, since July 1, 2015, these businesses, which are voluntarily providing financial assistance to help employees pay for health care, are now subject to a \$100 per day, per employee fine – totaling \$36,500 per employee annually, up to \$500,000 total. This is perverse as these small businesses are helping their workers. It seems irresponsible to us that the Internal Revenue Service would discourage those simply trying to offer assistance to their employees.

Many small business owners and employees are not aware of the prohibition, meaning this upcoming tax season could trigger surprising audits and costly penalties. For example, a small business owner who has been reimbursing four employees for individual health insurance premiums since July 1, 2015, will owe the IRS \$220,000 by the end of this year. Small employers, who want to help employees, simply cannot afford financial punishment of this magnitude and many do not have the money or administrative capacity to sponsor a group health plan. Any delay in action would put these small employers at risk of business-breaking fines or cause small business employees to lose an important benefit.

A similar standalone bill passed unanimously in the U.S. House of Representatives, and currently has support from 18 bipartisan Senators, including seven Senate Finance Committee members. The bipartisan measure would allow small businesses with fewer than 50 employees to offer HRAs to employees for the payment of premiums or qualified medical expenses associated with insurance coverage without facing outrageous fines.

Thank you in advance for your consideration of this legislation.

Sincerely,

Air Conditioning Contractors of America
Associated General Contractors
Auto Care Association
Council for Affordable Health Coverage
Global Cold Chain Alliance
Heating, Air-conditioning & Refrigeration Distributors International
International Franchise Association
Mid-America Lumbermans Association
National Association for the Self-Employed
National Association of Home Builders
National Association of the Remodeling Industry
National Association of Towns and Townships
National Association of Wholesaler-Distributors
National Federation for Independent Business
National Grange
National Restaurant Association
National Retail Federation
National Small Business Association
North Carolina State Grange
Padgett Business Services
Pennsylvania State Grange
Retail Industry Leaders Association
Saturation Mailers Coalition
Small Business and Entrepreneurship Council
Society of American Florists
WEX Health
Zane Benefits