BENEFITS BUZZ

MAY 2022

IRS Suspends Notices to Delinquent Filers of Some Returns

On March 22, 2022, the IRS announced it will temporarily stop sending written notices to certain entities that fall behind on filing obligations related to Forms 5500, 990 and others. The IRS usually mails these notices to tax-exempt or governmental entities in case of a delinquent return. The suspension does not relieve entities of any filing deadlines or obligations.

The IRS is currently experiencing a backlog of several million unprocessed returns due to the COVID-19 pandemic. This backlog involves returns filed by both individuals and entities. According to the IRS, the suspension will help avoid confusion when a filing is still in process.

Duration of Notice Suspension

The IRS will continue to assess its inventory of pending returns to determine when to resume mailing the suspended notices. Meanwhile, some taxpayers and tax professionals may still receive the notices over the next several weeks.

Affected Notices

The suspension applies to these notices:

- Reminder Notice About Your Form 5500-EZ or 5500-SF Filing Requirement
- Form 940 Not Required—Federal, State and Local Government Agencies
- First Taxpayer Delinquency Investigation Notice—Forms 990/990EZ/990N, 990PF, 990T, 5227, 1120-POL and 990/990EZ
- First Delinquency Notice—Forms 5500 and 5500-SF
- Second Delinquency Notice—Form 5500

Entities affected by the suspension should ensure their procedures for timely filing returns do not rely on any of these notices.

Proposed Change to Affordability for Family Coverage

On April 5, 2022, the IRS issued a proposed rule that would change existing rules for premium tax credit (PTC) eligibility. The PTC is available to eligible individuals who purchase health coverage through the Exchange. Individuals who have access to affordable, minimum value employer coverage are not eligible for the PTC.

Overview of the Proposed Rule

Currently, the affordability of employer coverage for family members is determined based on the lowest-cost self-only coverage available to the employee. The cost of family coverage is not taken into account. These rules apply for determining eligibility for the PTC and for purposes of the employer shared responsibility rules.

The proposed rule would provide that an employer-sponsored plan is affordable for family members if the **portion of the premium the employee must pay for family coverage** does not exceed 9.5% (as adjusted) of their household income. Family coverage includes all employer plans that cover any individuals related to an employee. The proposal would also add a minimum value rule for family members.

Impact of the Proposed Rule

If this rule is finalized, the change would likely mean more individuals will be newly eligible for the PTC for coverage purchased through the Exchange. The proposal would not affect affordability for employees. Thus, an employee's family member may have an offer of unaffordable employer coverage, even if the employee has an affordable offer of self-only coverage.

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