

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 21<sup>st</sup> 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