



July 13, 2010

Dear Client:

The recently enacted health overhaul legislation requires certain employers to offer and contribute to their workers' health insurance or pay a penalty. Under the new law, effective for months beginning after December 31, 2013, a large employer that does not offer coverage for all its full-time employees, offers minimum essential coverage that is unaffordable, or offers minimum essential coverage that consists of a plan under which the plan's share of the total allowed cost of benefits is less than 60%, is required to pay a penalty if any full-time employee is certified to the employer as having purchased health insurance through a state exchange with respect to which a tax credit or cost-sharing reduction is allowed or paid to the employee. Here are the details:

Only an "applicable large employer," is subject to this mandate. A large employer is defined as someone who employed an average of at least 50 full-time employees during the preceding calendar year. A full-time employee is an employee working an average of at least 30 hours or more each week. The large employer is required to offer coverage. Most small businesses, since they have fewer than 50 employees, are exempt from the large employer requirement. Other employees are counted on a pro-rated basis.

An employer with 50 or more employees is not subject to the penalty for not offering coverage if the employer doesn't have any full-time employees.

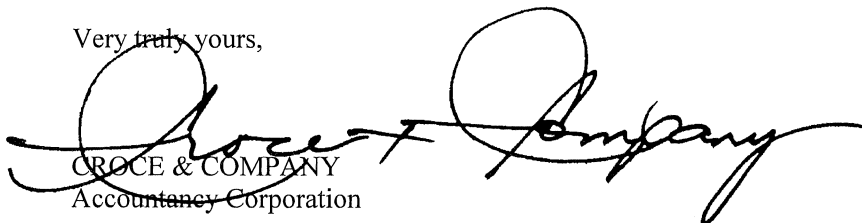
An applicable large employer who fails to offer its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under an employer-sponsored plan for any month is subject to a penalty. The penalty for any month is an excise tax equal to the number of full-time employees over a 30-employee threshold during the applicable month multiplied by one-twelfth of \$2,000. This penalty is assessed on a monthly basis.

An applicable large employer who offers coverage but has at least one full-time employee receiving a premium tax credit or cost-sharing reduction is subject to a penalty. The penalty is an excise tax that is imposed for each employee who receives a premium tax credit or cost-sharing reduction for health insurance purchased through a state exchange. This penalty is assessed on a monthly basis.

After 2013, employers offering minimum essential coverage through an eligible employer-sponsored plan and paying a portion of that coverage will have to provide qualified employees with a voucher whose value could be applied to purchase a health plan through the Insurance Exchange. Qualified employees would be those employees: who do not participate in the employer's health plan; whose required contribution for employer sponsored minimum essential coverage exceeds 8%, but does not exceed 9.8% of household income; and whose total household income does not exceed 400% of the poverty line for the family. The value of the voucher would be equal to the dollar value of the employer contribution to the employer offered health plan. Employers providing free choice vouchers will not be subject to penalties for employees that receive a voucher.

We hope this information is helpful. If you would like more details about these provisions or any other aspect of the new law, please do not hesitate to call our office.

Very truly yours,



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