

HOUSE AND SENATE TAX REFORM BILLS MAY END FRINGE BENEFITS FREQUENTLY USED TO SATISFY WAGE PARITY ACT REQUIREMENTS

Home Care Alert
November 14, 2017

On November 9, 2017, the House Ways and Means Committee approved H.R. 1, the “Tax Cuts and Jobs Act”, which is anticipated to go before the House for a vote later this week. The same day, Senate Finance Committee Chairman Orrin Hatch released a detailed “Description of the Chairman’s Mark” of the Senate’s version of a tax reform bill. The Senate bill differs from the House bill in numerous respects, and those differences would be subject to reconciliation and approval by both chambers before President Trump could sign the proposed legislation into law. As currently presented, both bills propose significant changes to employee fringe benefit programs, with an uncertain impact on home care agencies and fiscal intermediaries who rely on such fringe benefits to satisfy the Wage Parity Act benefit requirements.

The House bill proposes to eliminate employer deductions and the exclusion from employee income for several long-established fringe benefits, including educational assistance, dependent care assistance and other formerly deductible and excludable fringe benefits. Education assistance programs, under which an employer may reimburse an employee on a tax-free basis for up to \$5,250 in qualified educational expenses, would no longer be available for deduction or exclusion. Dependent care assistance programs, under which employees and employers may contribute up to \$5,000 on a pre-tax basis to a dependent care reimbursement account to pay for work-related dependent care expenses, would also be eliminated. The working condition fringe benefit is retained and some reimbursements for cell phones and education may continue to be excludable from employees’ income if they qualify as a working condition fringe benefit.

Both the Senate and the House bills eliminate the deduction for employers providing qualified transportation and parking benefits, except to the extent that the benefit is treated as taxable income to the employee. While no longer deductible, employers may continue to provide qualified transportation and parking fringe benefits to employees, and such benefits would continue to be creditable under the Wage Parity Act. These changes are proposed to be effective for tax years beginning after December 31, 2017.

Attorneys

Jane Bello Burke
Michael Flanagan
Peter Godfrey
John Godwin
Kinsey O’Brien
Amy Walters

Practices & Industries

Healthcare
Home Care

HOUSE AND SENATE TAX REFORM BILLS MAY END FRINGE BENEFITS FREQUENTLY USED TO SATISFY
WAGE PARITY ACT REQUIREMENTS

For more information on the proposed House and Senate versions of the Tax Cuts and Jobs Act, and the potential impact on the home care industry, please contact any one of the attorneys of the Hodgson Russ Home Care Team, who are monitoring the progress of the legislation closely.

