



## COMPLIANCE SERVICES **ALERT** LOCKTON BENEFIT GROUP



June 5, 2015

### **It's That Time of Year Again: PCORI Filing Due to IRS by July 31**

The health reform law imposes a number of fees, taxes and other assessments on health insurance companies and sponsors of self-funded health plans to help subsidize a number of endeavors. One such fee funds the Patient-Centered Outcomes Research Institute (PCORI).

The PCORI fee is \$2.08 per covered life for plan years ending on or after Oct. 1, 2014, and must be reported on (and remitted with) IRS Form 720 by July 31, 2015. For self-funded plans, the employer/plan sponsor will be responsible for submitting the fee and accompanying paperwork to the IRS. Third-party reporting and payment of the fee is not permitted for self-funded plans.

The process for remitting payment by sponsors of self-funded plans is described in more detail below.

#### **PCORI Fee Reporting and Payment**

The IRS will collect the fee from the insurer or, in the case of self-funded plans, the plan sponsor in the same way many other excise taxes are collected. The fees are reported and paid annually on IRS Form 720 by July 31 of the year following the last day of the plan year.

The fee due on July 31, 2015, is \$2.08 per covered life for plan years ending before Oct. 1, 2015, and after Oct. 1, 2014. For plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014, the fee due on July 31, 2015, is \$2 per covered life under the plan. IRS regulations provide three options for determining the average number of covered lives (actual count, snapshot and Form 5500 method). For more information, see our [Alert](#).

**Lockton comment:** Calendar year plans will owe a fee of \$2.08 per covered life by July 31, 2015. Plans that operate on years that begin the first day of any month from February through September will be paying a \$2 per covered life fee with the July 31, 2015, filing.

The U.S. Department of Labor believes the fee cannot be paid from plan assets. In other

words, the PCORI fee must be paid by the plan sponsor; it is not a permissible expense of a self-funded plan and cannot be paid in whole or part by participant contributions. The PCORI expense should not be included in the plan's cost when computing the plan's COBRA premium. The IRS has indicated the fee is, however, a tax-deductible business expense for employers with self-funded plans.

### How to File IRS Form 720

The filing and remittance process to the IRS is straightforward and is largely unchanged from last year. On page two of Form 720, under Part II, the employer needs to designate the average number of covered lives under its "applicable self-insured plan." The number of covered lives is multiplied by \$2.08 (for plan years ending on or after Oct. 1, 2014) to determine the total fee owed to the IRS.

Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax
(a) Specified health insurance policies		(see inst.)		}
(b) Applicable self-insured health plans		(see inst.)		

The Payment Voucher (720-V) should indicate the tax period for the fee is "2nd Quarter."

Form 720-V (2015)  
 OMB No. 1545-0023  
**2015**

**720-V**  
 Department of the Treasury  
 Internal Revenue Service

**Payment Voucher**  
 ▶ Do not staple or attach this voucher to your payment.

1 Enter your employer identification number (EIN) (see instructions).

2 Enter the amount of your payment. ▶  
 Make your check or money order payable to "United States Treasury."  
 Dollars Cents

3 Tax Period  
 1st Quarter  3rd Quarter  
 2nd Quarter  4th Quarter

4 Enter your business name (individual name if sole proprietor).  
 Enter your address.  
 City or town, state or province, country, and ZIP or foreign postal code

Failure to properly designate "2nd Quarter" on the voucher will result in the IRS's software generating a tardy filing notice, with all the incumbent aggravation on the employer to correct the matter with IRS.

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