



COMPLIANCE SERVICES **ALERT** LOCKTON BENEFIT GROUP



June 5, 2017

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 for calendar year plans is \$2.26 per covered life for the 2016 plan year, and must be reported on (and remitted with) IRS Form 720 by July 31, 2017. For non-calendar year plans, if the 2015-16 plan year ended on or before Sept. 30, 2016, the fee is \$2.17 per covered life. If the 2015-16 plan year ended between Oct. 1 and Dec. 31, 2016, the fee is \$2.26 per covered life. In either case, the filings are similarly due on July 31, 2017.

Lockton comment: The Form 720 must be filed by July 31 of the calendar year that begins after the last day of the plan year.

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.

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](#).

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 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 the applicable amount (\$2.26 or \$2.17) 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
Specified health insurance policies		
(a) With a policy year ending before October 1, 2016		\$ 2.17
(b) With a policy year ending on or after October 1, 2016, and before October 1, 2017		\$ 2.26
Applicable self - insured health plans		
(c) With a plan year ending before October 1, 2016		\$ 2.17
(d) With a plan year ending on or after October 1, 2016, and before October 1, 2017		\$ 2.26

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

720-V Department of the Treasury Internal Revenue Service		Payment Voucher		OMB No. 1545-0023	
▶ 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		4 Enter your business name (individual name if sole proprietor).			
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	Enter your address.			
<input checked="" type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	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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