
May 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 health care reform goals. One such fee funds the Patient-Centered Outcomes Research Institute (PCORI). The obligation to pay this fee is not affected by the current Health Care Reform debate in Congress.

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. This year the fee is due by July 31, 2017.

The Form 720 must be filed by July 31 of the calendar year immediately following the last day of the plan year.

- Plans with plan year start dates from Nov.1, 2015 through Jan. 1, 2016 will owe a fee of \$2.26 per covered life by July 31, 2017
- Plans that operate on years that began the first day of any month from February 1, 2015 through October 1, 2015 will be paying a \$2.17 per covered life fee with the July 31, 2017 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 in 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.

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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 \$2.17, or by \$2.26 depending on your plan year cycle, to determine the total fee owed to the IRS.

Part II

IRS No.	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)
133	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		Payment Voucher		Form 720-V (2017)	
Department of the Treasury Internal Revenue Service		Do not staple or attach this voucher to your payment.		OMB No. 1545-0023 2017	
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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