

For Employers: Health Care Fund Contribution Assessment

General Information

In 2006, the Vermont legislature started requiring employers who do not offer insurance to all of their employees to pay a “Health Care Fund Contribution” so that they share in the cost of providing health care coverage. For the previous 10 years, the contribution was paid to the Vermont Department of Labor. Starting Jan. 1, 2018, the Vermont Department of Taxes will begin collecting the Health Care Fund Contribution Assessment. This change was made by Act 73 of 2017.

You must report your first assessment to the Department of Taxes beginning with the quarterly filing of the withholding reconciliation for the fourth quarter 2017. When filing **Form WHT-436, Quarterly Withholding Reconciliation**, employers must include the Health Care Contribution Assessment for all employees not covered by health care coverage. This fact sheet provides information to help you determine which employees are considered to be covered and uncovered and how to report and pay the assessment.

Forms you will need to report the health care contribution

You or your employees will use three forms:

1. **Form HC-1, Health Care Fund Contribution Assessment**
This form is a worksheet to help employers determine any assessment liability for the quarter. Do not submit this form to the Vermont Department of Taxes. Retain this form for your records for three years.
2. **Form HC-2, Declaration of Health Care Coverage**
All employees must complete this form, whether covered or uncovered. The form must be completed every year. If the employee’s health coverage changes during the year, however, the employee must complete a new HC-2 at that time. Do not submit this form to the Vermont Department of Taxes. Retain this form for your records for three years.
3. **WHT-436, Quarterly Withholding Reconciliation**
The employer must complete this form each quarter and enter the Health Care Contribution Assessment (calculation made on Form HC-1). Submit Form WHT-436 with payment of the assessment, if any, along with your employer withholding to the Vermont Department of Taxes.

You may complete Form WHT-436 online at www.myVTax.vermont.gov. If you are using a paper form, be sure you have the most current form. Find all tax forms at www.tax.vermont.gov.

Definitions

Employee

Any individual who is:

- 18 years of age or older for all of a calendar quarter,
- employed full-time or part-time by an employer to perform services in Vermont, and
- reported by an employer for purposes of complying with Vermont unemployment insurance (UI) coverage under Vermont law at 21 V.S.A. Chapter 17.

Hours worked by employees whose wages are specifically exempted from UI reporting are also excluded from health care reporting. Examples of exempted wages include but are not limited to

governmental or municipal elected officials; volunteer emergency personnel; and sole proprietors.

Employer

Any person who is required to furnish unemployment insurance coverage under Vermont law at 21 V.S.A. Chapter 17.

Full-Time Equivalent (FTE)

The number of “uncovered” full-time equivalent employees is expressed as the number of employee hours worked in Vermont during a calendar quarter divided by 520. The FTE calculation is based on a 40-hour work week.

Disclaimer: This fact sheet is intended to provide an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information provided in this fact sheet.

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No more than one FTE (520 hours) may be assessed against an individual employee, regardless of the actual number of hours worked by that employee during a calendar quarter. This means an employer should stop counting any individual's hours in a quarter when they reach 520.

- a. For the purpose of calculating FTEs, the phrase "hours worked during a calendar quarter" means hours worked during all pay periods in that quarter for which gross wages were reported as paid, **up to 520 hours, per employee, per quarter.**
- b. An FTE should not include any employee hours worked by a "seasonal" or "part-time" employee (definitions follow) of an employer who offers health care coverage to all of its regular full-time employees. This applies *only if* the seasonal or part time employee has health care coverage under either a private plan or any public plan except Medicaid. See below for the definitions of "part-time employee" and "seasonal employee."

Uncovered Employee

Any of the following types of employees are considered "uncovered employees":

- a. An employee of an employer who does not offer to pay any part of the cost of health care coverage for its employees. Coverage must include hospital and physician services.
- b. An employee who is not eligible for the health care coverage offered by the employer.
- c. An employee who is offered and is eligible for coverage by the employer but chooses not to accept the coverage and is enrolled in Medicaid; has no other health care coverage under either a private or public plan except Medicaid; or has purchased health insurance coverage as an individual through the Vermont Health Benefit Exchange.

- d. A "seasonal" or "part-time" employee who has Medicaid coverage or no coverage, or who has worked 21 weeks or more (in the case of a seasonal employee), or has worked 30 or more hours per week in the reporting quarter (in the case of a part-time employee).
- e. A full-time, part-time, or seasonal employee not covered by the employer and for whom the employer has no declaration of health care coverage (Form HC-2).

Seasonal Employee

An employee who works 20 or fewer weeks, in a job **scheduled to last 20 weeks or less in a calendar year.** "Week" means the seven day calendar week. Only weeks in which an employee actually works (as opposed to being on payroll) count as a week worked.

Some employees will start as seasonal but then work for more than 20 weeks. In that case, an employer must be sure to pay an assessment for the first 20 weeks if the assessment was not previously paid.

Part-Time Employee

An employee who is generally scheduled to work fewer than 30 hours a week or fewer than 390 hours in a **calendar quarter**.

Health Care Coverage

For purposes of Health Care Contribution reporting, health care coverage includes any private plan that includes both hospital and physician services. For purposes of determining whether a seasonal or part-time employee is covered, health care coverage may also include Medicaid as long as the employer offers private coverage to all of its regular full-time employees.

Important Reporting Details

Nothing has changed with the reporting of information related to withholding reconciliation. Reporting data on the upper portion of Form WHT-436, Quarterly Withholding Reconciliation, remains the same. The following information only relates to determining and reporting the Health Care Contribution Assessment on Form WHT-436:

- If you do not offer coverage for which you pay some part of the expense, all hours worked by your

employees must be reported as uncovered. This is without regard for whether the employees secure coverage anywhere else.

- Use Form HC-2, Declaration of Health Care Coverage, to determine whether you offer coverage. Giving cash bonuses to employees to purchase their own coverage is not considered offering a plan.
- Your employees must complete Form HC-2, Declaration of Health Care Coverage, every year. If the

employee's health care coverage changes during the year, employee is required to complete a new form with the new information. You must retain HC-2 forms for all employees for three years in case of audit.

- If your employee count is equal to or less than the exempted number of FTEs, you **must** report "zero." Leaving these lines blank will result in the return not processing, which may lead to an assessment, interest, and/or penalty charges.
- You must track hours worked by "uncovered" employees throughout the quarter. However, a single employee should **not** have more than 520 hours attributed for a quarter.
- An employee who is "**eligible**" and "**enrolled**" in a health care plan, but is not actually covered until the following quarter, is considered to have health care coverage, as long as the period between enrollment and coverage is not longer than six months. This situation is **not** a customary probationary period as, generally speaking, employees in a probationary

period are **neither eligible nor able to enroll** in a health care plan. As such, employees in a probationary period would be considered "uncovered," unless they obtain health care coverage before the end of the reporting quarter.

- If an employee has health care coverage at any point during the reporting quarter, the employee is excluded from the FTE calculations for the **entire** quarter.
- All hours worked during the reporting quarter by uncovered **seasonal** employees, who work their 21st week and beyond, will be included in the "uncovered" FTE calculation during the quarter the 21st week was worked and for each quarter that follows during the calendar year.
- All hours worked by a uncovered **part-time** employee, who works fewer than 30 hours a week or fewer than 390 hours in a calendar quarter, must be included in the "uncovered" FTE calculation, for the affected quarter.

Find the FTE exemption and Health Care Premium table on Form HC-1.

More Resources

- For more information, visit our website at <http://tax.vermont.gov/business-and-corp/hcfca> or call the Department's Taxes Business Tax Section at 802-828-2551.

- For questions about potential eligibility for all state health plans and/or premium assistance for Vermont Health Connect and employer-sponsored insurance plans, call the Agency of Human Services at 1-800-250-8427.

