



New Budget Bill Contains Benefit Provisions

On December 18, 2015, President Obama signed into law the Consolidated Appropriations Act of 2016 (the "Act"). The Act contains a few benefit provisions. The following reviews these benefit provisions.

Imposition of Cadillac Tax delayed until 2020

The excise tax on high cost employer-sponsored health care will become effective for tax years beginning after December 31, 2019, instead of being effective for tax years beginning after December 31, 2017.

- It is effective December 18, 2015.
- Cadillac Tax will now be deductible.
- The Cadillac Tax will be deductible as a business expense. In previous provisions, it was not deductible.

Extension of parity for exclusion from income for employer-provided mass transit and parking benefits.

Parity in the exclusion for combined employer-provided transit pass and vanpool benefits will be reinstated and for employer-provided parking benefits and makes parity permanent. For 2015, the monthly limit on the exclusion for combined transit pass and vanpool benefits is \$250, the same as the monthly limit on the exclusion for qualified parking benefits. For 2016 and later years, the same monthly limit will apply on the exclusion for combined transit pass and vanpool benefits and the exclusion for qualified parking benefits.

In order for the extension to be effective retroactive to January 1, 2015, expenses incurred for months beginning after December 31, 2014, and before enactment of the Act by an employee for employer-provided vanpool and transit benefits may be reimbursed (under a bona fide reimbursement arrangement) by employers on a tax-free basis to the extent they exceed \$130 per month and are no more than \$250 per month. It is intended that the rule that an employer reimbursement is excludible only if vouchers are not available continues to apply, except in the case of reimbursements for vanpool or transit benefits between \$130 and \$250 for months beginning after December 31, 2014, and before enactment of the Act. Further, it is intended that reimbursements of the additional amount for expenses incurred for months beginning after December 31, 2014, and before enactment of the Act, may be made in addition to the provision of benefits or reimbursements of up to the applicable monthly limit for expenses incurred for months beginning after enactment of the provision. It applies to months after December 31, 2014.