



INTERNATIONAL ASSOCIATION OF FIRE CHIEFS

Providing leadership for the fire and emergency services since 1873

4025 FAIR RIDGE DRIVE • FAIRFAX, VA 22033-2868 • TEL: 703/273-0911 • FAX: 703/273-9363 • www.iafc.org

September 30, 2015

The Honorable John Koskinen, Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Re: Comments to Notice 2015-52

Dear Commissioner Koskinen:

On behalf of the International Association of Fire Chiefs (IAFC), I would like to express my concerns regarding the proposed implementation of the excise tax on employer sponsored health coverage. The IAFC was created in 1873 and, as a 501(c)(3) organization, provides education and service to the leadership of America's fire and emergency service. The IAFC currently utilizes strong employee benefits as a means to attract strong candidates to serve our members. We are concerned that the policies described in Notice 2015-52 are unfairly burdensome and would hinder the IAFC's ability to attract and retain talent.

The IAFC is concerned that the excise tax sets too low a threshold for applicable plans due to improperly indexed costs and encompassing too wide an array of health benefits. As you are likely aware, the excise tax is currently indexed to the consumer price index (CPI) rather than the cost of healthcare. Since healthcare costs rise faster than the CPI, the excise tax will be applied to an increasing number of employers. Indexing the excise tax's threshold to the cost of healthcare will lead to a more accurate application of the tax as health insurance costs are tied to the cost of healthcare and not the CPI. Additionally, the IAFC encourages the IRS to exclude the value of contributions made to flexible spending accounts, health savings accounts, and similar accounts from the calculation of applicable costs. Employers face great difficulty in accurately predicting their employees' use of these accounts. Additionally, employees should not be penalized for choosing to set aside a portion of their wages for anticipated healthcare costs. Excluding these accounts from consideration will generate a more accurate picture of costs and incentivize responsible planning by individual employees.

Both IRS Notices 2015-16 and the current 2015-25 outline a very complex process to identify and report the cost of employer-provided health benefits. Unfortunately, this process is extremely complicated as information must be reported monthly and requires consideration of the cost of services provided by multiple vendors. The IAFC is concerned that we and most other associations do not have the staff capacity to accurately identify and report all costs. As a result, this may force an additional cost onto associations as they are forced to hire outside counsel and other assistance to comply with the reporting and calculation requirements of the excise tax. The

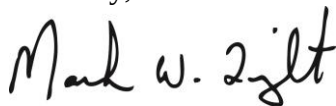
IAFC encourages the IRS to address this concern by allowing annual reporting of this information as well as simplifying the calculation process to determine an employer's liabilities under the excise tax.

The IAFC also is concerned that, under Section V, Subsection C of the current proposal, the reimbursement that employers pay to health insurance providers will be considered taxable income for the provider. Like most associations, the IAFC is concerned that providers likely will pass the amount of the income tax they owe on the reimbursement onto employers. Essentially, this would require employers to pay the provider's income tax on the excise tax. While the excise tax itself could be extremely costly for employers, allowing insurers to pass their income tax liability on to employers would further increase the burden that the excise tax places on employers. The IRS could address this problem by either permitting employers to pay this tax directly or by excluding the reimbursement from the provider's taxable income.

Lastly, there are several sections of the current proposal which the IAFC does support. The IAFC is supportive of Section V, Subsection E of the current proposal, which would permit contributions to account-based plans to be allocated on a pro rata basis over the entire plan year. This approach will help minimize the complexity of monthly reports, should the IRS continue to require monthly reporting. The IAFC also supports Section V, Subsection F, which establishes a safe-harbor for amounts carried over in a flexible spending account (FSA).

Thank you for your attention to our concerns and considering these comments. The IAFC looks forward to working with the IRS to assure that the IAFC and other associations can maintain the strong health plans and other employee benefits that we have offered for many years. The IAFC believes that a strong benefits package is key to attracting and retaining skilled and knowledgeable employees. We are concerned that the costs and administrative burdens of the proposed implementing regulations would force the IAFC, and other small associations, to stop offering the robust health insurance plans that are so popular among our employees.

Sincerely,

A handwritten signature in black ink that reads "Mark W. Light". The signature is written in a cursive, slightly stylized font.

Mark W. Light, CAE
Chief Executive Officer and Executive Director

/ed