



FORM 720 INSTRUCTIONS

As part of the Affordable Care Act, medical reimbursement plans are treated as self-insured health plans and are subject to a small excise tax.

A medical reimbursement plan is a plan where a business, whether a C corporation, an S corporation or partnership, either reimburses the employee for their medical expenses or pays them directly. A shareholder of a corporation or a partner in an LLC or partnership is considered to be an employee.

The tax is reported on Form 720 and must be mailed during the month of July every year.

For the year 2023 the tax is \$2.66 per covered person for the plans ending prior to October 1, 2022 or \$2.79 for plans ending on or after October 1, 2022 and before October 1, 2023. This fee is deductible under code 596 as it is a type of a payroll tax.

This worksheet should be completed and returned to Corporate Farmer. Sometime after July 1, 2023, you will receive a Form 720 in the mail along with instructions on where to file the return. This return cannot be e-filed and you will need to enclose a payment.

There is a MINIMUM fine of \$135 for non-compliance with the reporting of Form 720 taxes on medical reimbursement plans so we recommend you file and pay the applicable fee.

Instructions for this worksheet:

Employer's name – Name of your corporation

Tax ID – EIN of your corporation

Address – Address of your corporation

Do you have a medical reimbursement plan?

– Does your corporation reimburse you and/or your employees for medical expenses, including health insurance premiums?

Plan ending date – Is the Year End of your corporation before or after October 1st?

Total number of covered employees - The number of employees that your corporation reimburses medical expenses for. A married couple that are shareholders in the corporation and their dependent children are considered ONE EMPLOYEE.

The worksheet for preparation of Form 720 is provided below. Please remove it and return it to our office before July 1st, 2023 and we will complete the return and return it to you for filing.

FORM 720 WORKSHEET

Employer's Name _____

Tax ID # _____ - _____

Address _____

_____, _____

Do You have a Medical Reimbursement Plan?

Yes _____ NO _____

Plan ending date?

Prior to October 1, 2023? ☐

On or After October 1, 2023? ☐

(Is the Year End Of your Corporation before or after October 1st?)

Total Number of Covered Employees _____