

Lawmakers target IRS rule on exchanges

By Rich Daly

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New legislation would block an Internal Revenue Service rule finalized in May that will offer tax credits for buying health insurance on exchanges operated by either states or the federal government.

Two House Republican physicians from Tennessee, Reps. Scott DesJarlais and Phil Roe, introduced **a measure to block the final rule**, issued May 18, because it is not authorized by statute. The Republicans maintain that since the Patient Protection and Affordable Care Act only authorized tax credits for the purchase of insurance on state-run exchanges—and not for federally operated exchanges—the IRS rule cannot offer them for both insurance marketplaces.



DesJarlais

“Federal administrative agencies like the Internal Revenue Service do not have the authority under our Constitution to propose regulations which contravene the explicit statutory text of dually-enacted public laws,” the **congressmen and 22 of their colleagues wrote IRS Commissioner Douglas Shulman (PDF)** in November 2011 after the rule was proposed.

Sen. Orrin Hatch (R-Utah), ranking member of the Finance Committee, wrote a similar letter objecting to the IRS rule in December 2011.

Limiting the taxpayer-provided assistance to state-operated exchanges could affect many of the estimated 16 million people expected to gain coverage under the coming marketplaces because about **30 states are expected to have federal exchanges**, at least initially.

The IRS rule authorizes individuals and families who qualify for the credit to begin using it in 2014 to purchase insurance policies through both types of exchanges. The credit also can be paid in advance to the exchange enrollee's insurance company to help cover the cost of premiums, **according to the IRS**.