



# PCORI Guide



Please read through this guide to see if you must pay this important IRS fee.

## What are PCORI Fees?

The PCORI fee was established by the Affordable Care Act to help fund the Patient-Centered Outcomes Research Institute (PCORI). In 2019, the Further Consolidated Appropriations Act, 2020 signed into law and extended the PCORI fees through 2029.

## Do I Have to Pay PCORI Fee?

The plan sponsor (generally, the employer) must file and pay the PCORI if it has an HRA (or certain type of FSA) during the previous Plan Year.

Plan Type	PCORI Required?	Notes
HRA	Yes	Since HRAs are considered self-insured health plans, they are subject to PCORI fees. Even if the HRA is provided only to employees enrolled in the insured Group Health Plan, the employer must pay a separate PCORI fee.
FSA	Generally, no	FSAs are <u>not</u> subject to PCORI unless: <ul style="list-style-type: none"><li>The employer FSA contribution that exceeds the greater of \$500 or twice the employee's salary reduction.</li></ul>

If there are multiple plans that meet the above criteria, they may be combined if both plans have the same sponsor and the same plan year.

## When is the PCORI Fee Due?

The PCORI is payable to the IRS by July 31<sup>st</sup> along with Form 720. These fees are due July 31<sup>st</sup> of each year for the Plan Year that ended in the prior calendar year. For example, the deadline for filing Form 720 is July 31, 2023, for all plan years that ended in 2022. The penalty for filing late can be as high as 5% of your PCORI fee each month. That penalty is capped at 25% of your PCORI fee. There are no extensions for filing and submitting your PCORI fee.

## How do I Pay the PCORI Fee?

Download IRS [Form 720](#) to file PCORI. Form 720 is a quarterly tax form also used to report various taxes, including environmental taxes, communication and air transportation taxes, fuel taxes, retail taxes, and a host of other taxes. Part II of this form includes the PCORI fee.

Even if your business uses this form for other quarterly taxes, you must submit this form at the end of the second quarter by July 31<sup>st</sup> for your PCORI fee.

## How Much is the PCORI Fee?

The total PCORI consists of a fee set by the IRS multiplied by the number of covered lives.

### How to Find the Fee

The per covered life fee can be found in Part II of IRS Form 720.



## How to Calculate the Number of Covered Lives

If the HRA (or FSA) is the only self-insured coverage provided by the employer, then only Plan participants should be counted as covered lives.

To find the number of participants, EMPOWER recommends that you run an enrollment report from the Employer Administrative Portal. Instructions can be found at [empowerflex.com/reports](https://empowerflex.com/reports). Be sure to run the report for the appropriate dates that correspond to the method chosen and the Plan Year.

The IRS allows Employers to calculate the number of covered lives using any one of the following three methods. The Employer may choose the one that results in the lowest fee.

Method Name	Instructions
Actual Name	Calculate lives covered each day of the plan year divided by number of days in the Plan Year.
Snapshot Method	Add the lives covered on a consistent date each month or quarter and divide total by number of dates on which count was made (e.g., divide by 12 if count is done each month, or by 4 if count is done each quarter) <ul style="list-style-type: none"><li>• Two methods for counting family members (if required):<ul style="list-style-type: none"><li>○ Count actual lives covered on designated date; or</li><li>○ Count participants with single coverage on designated date + participants with coverage other than single on designated date multiplied by 2.35</li></ul></li></ul>
Form 5500 Method	Use participant count reported on Form 5500 for the plan year. Add participant counts at the beginning and end of the Plan Year. If plan offers only single coverage, final result is divided by 2.