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House Tax Bill Would Terminate Popular Welfare and Fringe Benefit Plans

The Senate is back in session this week. One of the most important items is the vote on the Senate's version of 2017 tax reform. As background, the House has already passed its 2017 tax reform bill. The Senate's version was approved by the Senate Finance Committee prior to Thanksgiving Break. Now, it's up to the full Senate to pass its tax reform bill, and if it does, then both the House and the Senate versions will be taken up by a joint House/Senate committee to craft a compromise bill that both the House and the Senate will vote on again.

The attached chart shows the significant differences in the House and Senate version when it comes to employee welfare and fringe benefit plans. In general, the House version would end the tax-free nature of tuition reimbursement plans and adoption assistance programs effective for 2018. Employers could still reimburse tutition and adoption expenses, but such reimbursements would be treated as taxable wages starting in 2018. The House bill originally would have ended dependent care flexible spending account plans as of 2018 as well, but in the revised version passed by the House dependent care flexible spending account plans now remain untouched until 2023.

The Senate version of tax reform is much kinder to employee welfare and fringe benefit plans. The only change that would be made by the Senate bill would be to repeal the tax-free nature of bicycle commuting expenses.

Stay tuned as the Senate is expected to take up the Senate tax reform bill this week, with a vote likely toward the end of this week.