



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Joseph Donnelly  
U.S. House of Representatives  
Washington, DC 20515

Attention:

Dear Representative Donnelly:

I am responding to your inquiry of June 3, 2016, on behalf of your constituent, . Your constituent asked if an employer can contribute to the premiums of employees who decline coverage in an employer group health plan and instead participate in a health care sharing ministry.

A health care sharing ministry (HCSM) is a tax-exempt organization. Its members share a common set of ethical or religious beliefs as well as medical expenses in accordance with those beliefs.

Members of a HCSM are exempt from the requirement in section 5000A of the Internal Revenue Code to keep minimum essential coverage. However, coverage by an HCSM is not minimum essential coverage. In addition, the law does not consider membership in an HCSM as health insurance and payments for participating in a HCSM are not deductible medical care.

Because participation in a HCSM is not employer-provided coverage under an accident or health plan, the law does not exclude employer payment for the cost of employee participation from the employee's gross income. Instead, the law considers it as taxable income and wages to the employee.

I hope this information is helpful. If you have questions, please call me at  
or at .

Sincerely,

Christine Ellison, Acting Chief  
Health and Welfare Branch  
Office of Associate Chief Counsel  
(Tax Exempt and Government Entities)