MISSISSIPPI DEPARTMENT OF REVENUE

Income Tax Bureau Notice 80-26-003 August 26, 2026

Individual Coverage Health Insurance Reimbursement (ICHRA) Credit

Individual Coverage Health Insurance Reimbursement (ICHRA) credit is a tax-advantaged, employer-funded health benefit. Employers can offer their employees an individual coverage health reimbursement arrangement to reimburse medical expenses (like premiums, deductibles, and copayments) instead of offering a traditional job-based health plan.

Eligible Taxpayers

Qualified employers are able to receive an income tax credit for offering an ICHRA in lieu of a traditional employer-provided health insurance plan. The employer must have fewer than fifty (50) employees and the employer's contribution to the ICHRA must equal or exceed either the level of benefits provided in the prior benefit year or the amount contributed per covered individual to the employer's previous health insurance plan during the prior benefit year.

Claiming the Credit

For the first taxable year in which a qualified employer offers an ICHRA, the employer may claim a tax credit of up to four hundred dollars ($400.00) per covered employee. For the second taxable year in which a qualified employer continues to offer an ICHRA, the employer may claim a tax credit of up to Two Hundred Dollars ($200.00) per covered employee. Credit is limited to the employer's tax liability and any excess credit can be carried forward for ten (10) years. The total amount of tax credits is limited to one million dollars ($1,000,000.00) per fiscal year and are awarded to employers on a chronological basis based on the filing date of the employer's annual state tax return until the limit has been reached.

Reporting Requirement

In the third year after claiming the credit, the employer is required to submit a report to the Department of Revenue including:

1. Whether or not the employer continued to offer the ICHRA or reverted to a traditional employer-sponsored plan; and
2. Details regarding the level of benefits provided under the ICHRA.