ORDINANCE NO. 2026-11

AN ORDINANCE OF THE VILLAGE OF CLEARWATER, NEBRASKA TO ESTABLISH A QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENT (QSEHRA) FOR ELIGIBLE MUNICIPAL EMPLOYEES; TO AUTHORIZE THE VILLAGE CLERK TO EXECUTE NECESSARY PLAN DOCUMENTS; TO REPEAL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HEREWITH; TO PROVIDE WHEN THIS ORDINANCE SHALL BE IN FULL FORCE AND EFFECT; AND TO PROVIDE FOR THE PUBLICATION OF THIS ORDINANCE IN PAMPHLET FORM.

BE IT ORDAINED BY THE CHAIRPERSON AND BOARD OF TRUSTEES OF THE VILLAGE OF CLEARWATER, NEBRASKA:

SECTION 1. The Village of Clearwater hereby adopts and establishes a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) to reimburse eligible employees for qualified medical expenses and individual market health insurance premiums.

SECTION 2. The QSEHRA shall be offered equitably to all eligible full-time employees of the Village. Prior to receiving any reimbursements under this arrangement, an eligible employee must provide the Village with proof that they maintain Minimum Essential Coverage (MEC). The Village is prohibited from reimbursing an employee on a taxable or non-taxable basis if the employee fails to provide proof of MEC.

SECTION 3. The monthly reimbursement allowance for eligible employees shall be $208.33 for individual coverage and $208.33 for family coverage. Total annual reimbursements shall not exceed the statutory limits set by the Internal Revenue Service. For the 2026 plan year, these maximum statutory contribution limits are $6,450 for individual coverage and $13,100 for family coverage.

SECTION 4. The Village Clerk is hereby authorized and directed to execute Exhibit A attached and any other formal written QSEHRA plan documents required by federal law. Furthermore, the Village Clerk shall ensure that all eligible employees receive written notice of the QSEHRA benefit at least 90 days before the beginning of the plan year, outlining the HRA policies and monthly reimbursement amounts.

SECTION 5. That all ordinances or parts of ordinances in conflict be and the same hereby are repealed.

SECTION 6. That three-fourths of the Board of Trustees voted to suspend the requirement that this ordinance be read by title on three different days.

SECTION 7. That this ordinance shall be effective from and after its passage, approval and publication as provided by law.

SECTION 8. That this ordinance shall be published in pamphlet form and available for public inspection during normal village office business hours.

PASSED AND APPROVED THIS 14 DAY OF September, 2026.

VILLAGE OF CLEARWATER, NEBRASKA

By: ______________________________
Chairperson Kelly Kerkman

ATTEST: ___________________________________
Village Clerk Angie Hupp

(S E A L)

CERTIFICATION

I, Angie Hupp, clerk of the Village of Clearwater, Antelope County, Nebraska, hereby certify that the foregoing is a true and complete copy of Ordinance No. 2026-11 of said Village, passed by the Village Board of Trustees the 14 day of September 2026, and that said ordinance is available in pamphlet form during regular office hours.

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Village Clerk Angie Hupp

(SEAL)

Exhibit A

VILLAGE OF CLEARWATER QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENT (QSEHRA) PLAN DOCUMENT

ARTICLE I: INTRODUCTION AND PURPOSE
The Village of Clearwater (the "Employer") hereby establishes a Qualified Small Employer Health Reimbursement Arrangement (the "Plan" or "QSEHRA") under Section 9831(d) of the Internal Revenue Code. The purpose of this Plan is to reimburse eligible employees for qualified medical expenses, including individual market health insurance premiums, on a tax-advantaged basis. This Plan is intended to comply with all guidelines set forth in IRS Notice 2017-67.

ARTICLE II: EMPLOYER ELIGIBILITY
The Village of Clearwater certifies that it is an eligible small employer because it is not an Applicable Large Employer (ALE) as defined in Section 4980H(c)(2) of the Internal Revenue Code, meaning it employs fewer than 50 full-time or full-time equivalent employees. Furthermore, the Employer does not offer a traditional group health plan to any of its employees.

ARTICLE III: EMPLOYEE ELIGIBILITY
The Plan must be provided on the same terms to all eligible employees of the Employer. An "eligible employee" means any employee of the Village of Clearwater, except that the following classes of employees are explicitly excluded from participation in the Plan:

1. Employees who have not completed 90 days of service with the Employer.
2. Employees who have not attained age 25 before the beginning of the plan year.
3. Part-time or seasonal employees, as defined in § 1.105-11(c)(2)(iii)(C) of the Income Tax Regulations.
4. Employees who are nonresident aliens with no earned income from sources within the United States. Former employees and retirees are not eligible to participate in the QSEHRA.

ARTICLE IV: FUNDING AND PERMITTED BENEFITS
The QSEHRA is funded solely by the Employer, and no salary reduction contributions may be made under the arrangement by the employee. The maximum permitted benefit for any calendar year shall be determined annually by the Village Board of Trustees, provided it does not exceed the statutory maximums adjusted annually for inflation by the IRS. The Plan may allow for the carryover of unused amounts from month to month, or year to year; however, the sum of the employee's carryover amount plus the permitted benefit amount for the current year cannot exceed the statutory dollar limit for the current year. No cash-out of unused permitted benefits may be returned to eligible employees under any circumstances.

ARTICLE V: MINIMUM ESSENTIAL COVERAGE (MEC) AND ATTESTATION
Generally, payments from a QSEHRA to reimburse an eligible employee's medical expenses are not includible in the employee's gross income if the employee has coverage that provides Minimum Essential Coverage (MEC). A QSEHRA may only reimburse employees after they provide proof that they, and any family members whose expenses are being reimbursed, maintain MEC.

Proof of MEC must be provided at least annually, and following the initial proof of coverage, an attestation of ongoing MEC coverage must be provided with each subsequent request for reimbursement. The proof must consist of either:

1. A document from a third party (such as an insurance card or explanation of benefits) accompanied by an employee attestation; or
2. An attestation by the employee stating that the employee and the individual family member have

MEC, the date coverage began, and the name of the provider of the coverage. The Employer utilizes the model attestation language provided in Appendix B of IRS Notice 2017-67 for this purpose. Payments made from the QSEHRA are includible in the employee's taxable income for the month in which they are provided if the employee does not maintain MEC for that specific month.

ARTICLE VI: REIMBURSABLE EXPENSES AND SUBSTANTIATION

The QSEHRA can reimburse substantiated medical expenses of eligible employees and their family members, including health insurance premiums and medical costs not covered by insurance, such as deductibles and copays. Over-the-counter drugs purchased without a prescription and premiums paid to a spouse's employer's plan via pre-tax deductions are not permitted to be reimbursed tax-free and will be treated as taxable income if reimbursed.

ARTICLE VII: WRITTEN NOTICE REQUIREMENTS

The Employer must provide a written notice describing the QSEHRA to eligible employees at least 90 days before the beginning of each plan year. Employees who become eligible during the year must be given the notice by the first day they are eligible to participate. Failure to provide this notice timely can trigger a penalty on the Employer of $50 per employee, up to a maximum of $2,500 per year.

Consistent with the model language referenced in IRS Notice 2017-67, the written notice must include:

1. A statement of the dollar amount of the permitted benefit for which the employee might be eligible.
2. A statement that the employee must inform any Marketplace to which the employee applies for advance payments of the premium tax credit (PTC) of the amount of the permitted benefit.
3. A statement that the amount of the benefit may be taxable if the employee fails to maintain Minimum Essential Coverage.

ARTICLE VIII: COMPLIANCE AND SEVERABILITY

If the arrangement fails to meet the legal requirements of a QSEHRA—such as being provided by an ineligible employer or failing to offer it on the same terms to all eligible employees—it will be considered a group health plan subject to Affordable Care Act market reform requirements and may trigger an excise tax of $100 per person, per day. If any provision of this Plan is found to be contrary to law, such provision shall be severed, and the remainder of the Plan shall remain in full force and effect.

DATED this _14_ day of _September_, 2026.

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Village Clerk Angie Hupp