



WHAT EMPLOYERS NEED TO KNOW RIGHT NOW ABOUT HEALTH CARE REFORM

IRS Releases 2015 Forms and Instructions for 6055/6056 Reporting

Background

Under the Patient Protection and Affordable Care Act (ACA), individuals are required to have health insurance while applicable large employers (ALEs) are required to offer health benefits to their full-time employees. In order for the Internal Revenue Service (IRS) to verify that (1) individuals have the required minimum essential coverage, (2) individuals who request premium tax credits are entitled to them, and (3) ALEs are meeting their shared responsibility (play or pay) obligations, employers with 50 or more full-time or full-time equivalent employees and insurers will be required to report on the health coverage they offer. Final instructions for both the [1094-B and 1095-B](#) and the [1094-C and 1095-C](#) were released in September 2015, as were the final forms for [1094-B](#), [1095-B](#), [1094-C](#), and [1095-C](#).

When? Which Employers?

Reporting will first be due early in 2016, based on coverage in 2015. All reporting will be for the calendar year, even for non-calendar year plans. The reporting requirements are in Sections 6055 and 6056 of the ACA. Draft instructions for both the 1094-B and 1095-B, and the 1094-C and 1095-C were released in August 2015. The final instructions have some substantial differences from the draft instructions.

Although employers with 50 to 99 employees generally do not need to comply with the employer shared responsibility/play or pay requirements for 2015, they do need to comply with the reporting requirement for 2015. Employers in this situation will enter a code on their Form 1094-C to advise the IRS that they are not subject to penalties for 2015.

6055 Requirements: Forms 1094-B, 1095-B

IRS Form 1095-B essentially will be used to meet the Section 6055 reporting requirement. The Section 6055 reporting relates to having coverage to meet the individual shared responsibility requirement. Form 1095-B will be used by insurers, plan sponsors of self-funded multiemployer plans, and plan sponsors of self-funded plans that have fewer than 50 employees to report on coverage that was actually *in effect* for the employee, union member, retiree or COBRA participant, and their covered dependents, on a month-by-month basis.

UBA ACA Advisor

6056 Requirements: Forms 1094-C, 1095-C

IRS Form 1095-C will primarily be used to meet the Section 6056 reporting requirement. The Section 6056 reporting requirement relates to the employer shared responsibility/play or pay requirement. Information from Form 1095-C will also be used in determining whether an individual is eligible for a premium tax credit. Employers with 50 or more full-time or full-time equivalent employees will complete much of Form 1095-C to report on coverage that was *offered* to the employee and eligible dependents. In addition, to save large employers that sponsor self-funded plans from having to complete two forms, a Part III has been included in Form 1095-C. Large employers with self-funded plans will use that part of the form to report information about *actual* coverage that otherwise would be reported on Form 1095-B. Employers with 50 or more full-time or full-time equivalent employees with fully insured plans will skip section III, and their carrier will complete a separate B series form to report that information for them.

Form 1094-C is used in combination with Form 1095-C to determine employer shared responsibility penalties.

Employers with 50 or more full-time or full-time equivalent employees must provide Form 1095-C to virtually all employees who were full-time (averaged 30 hours per week) during any month during the year, even if coverage was not offered to the employee or the employee declined coverage. (If the full-time employee never became eligible during the year, most likely because the employee is a variable-hours employee in an initial measurement period, the form does not need to be provided.)

The major reporting requirements are:

	Fully Insured < 50 FTEs	Fully Insured 50+ FTEs	Self-Funded < 50 FTEs	Self-Funded 50+ FTEs	Marketplace Coverage
Forms to employee	1095-B	1095-B / 1095-C (Parts I and II only)	1095-B	1095-C (all Parts)	1095-A
Filed by	Insurer	Insurer / Employer	Plan Sponsor (generally the employer)	Plan Sponsor (generally the employer)	Marketplace
Forms to IRS	1094-B	1094-B (with copies of all 1095-Bs) / 1094-C (with copies of all 1095-Cs)	1094-B (with copies of all 1095-Bs)	1094-C (with copies of all 1095-Cs)	1094-A
Filed by	Insurer	Insurer / Employer	Plan Sponsor	Plan Sponsor	Marketplace

2015 Updates

The 2015 instructions include a variety of changes from the 2014 instructions. For the 1094-C and 1095-C forms, the changes include information on extensions and waivers, how to correct returns, offers of COBRA coverage and reporting on employee premiums. Clarification was provided on reporting coverage from a health reimbursement arrangement (HRA).

For the 1094-B and 1095-B forms there were fewer updates, with information regarding penalties for not reporting and how to file for an extension. Clarification was provided on reporting coverage from an HRA.

1094-C and 1095-C Updates

Who Must File

The instructions clarify that all ALE's (employers with 50 or more employees) must file one or more 1094-C forms (including the designated authoritative transmittal) and a 1095-C for each employee who was a full-time employee for any month of the year.

Extensions and Waivers

The instructions provide information on requesting extensions and waivers. Automatic 30-day extensions will be given to entities filing Form 8809, and no signature or explanation is needed. Form 8809 must be filed by the due date of returns in order to be granted the 30-day extension. Waivers may be requested with Form 8508, and are due at least 45 days before the due date of the information returns.

Full-Time Employee Count

Employers must enter the number of full-time employees and the total employee count in Part III of Form 1094-C. The 2015 instructions provide an additional day of the month that an employer may make that determination: the 12th of the month. Employers may determine the headcounts on the first day of each month, the last day of each month, the 12th of the month, the first day of the first payroll period in each month, or the last day of the first payroll period in each month. The definitions section also provides that an employer may disregard counting an employee for any month the employee has TRICARE or health care from the Veteran's Administration.

Corrections to Forms 1094-C and 1095-C

The instructions provided detailed information on correcting returns. Separate instructions are given for correcting authoritative 1094-C and 1095-C forms. Steps are given for a variety of mistakes, including incorrect full-time employee counts, premium amounts, and covered individual information.

Extensions to Furnish Statements to Employees

Employers may request an extension of time to furnish statements to recipients by mailing a letter to the IRS with information, including the reason for the delay. If the request is granted, the maximum extension that will be given is 30 days.

Penalties

The instructions incorporate the new penalties for failing to file information returns, which are now \$250 for each return that an employer fails to file. The IRS again noted that, for 2015 reporting, penalties will not be imposed for incorrect or incomplete information filing so long as the employer can show it made a good faith effort to comply with the requirements. The "grace period" does not apply to employers that fail to file or that file late.

98 Percent Offer Method

The instructions provided clarification of the 98 percent offer method. This method requires an employer to certify that it offered affordable health coverage providing minimum value to at least 98 percent of its employees. The instructions clarify how to report on an employee in a limited non-assessment period.

The instructions make it clear that an individual in a limited non-assessment period does not count against the employer's 98 percent calculation.

Qualifying Offer Method

The instructions provide that an employer can use the qualifying offer code (1A) on Form 1095-C so long as the employee received a qualifying offer for all months in which the employee was full-time (and not in a limited non-assessment period), but the employer may not furnish the alternative statement unless the employee received a qualifying offer for all 12 months in the calendar year.

Plan Start Month Box

The instructions provide information on the new "plan start month" box, which is optional for 2015. This box is intended to provide the IRS with information used to calculate an individual's eligibility for premium tax credits, which is based on the employer plan's affordability, calculated by plan year. This box will likely be required in 2016.

Multiemployer Plan Relief

The 2014 instructions told ALEs not to enter a code in Part II, line 14 of Form 1095-C for coverage that is not actually offered, as the information must reflect the coverage offered to the employee. In 2015, ALEs are instructed to enter code 1H on line 14 for any month in which an employer enters code 2E on line 16. Code 2E indicates that an employer is required to contribute to a multiemployer plan on behalf of the employee for that month, and is eligible for multiemployer interim relief. This is intended to assist with reporting challenges for multiemployer plans.

COBRA Coverage

The instructions for 2015 differ from the draft instructions that were originally provided as it relates to how to handle offers of COBRA coverage. If COBRA is offered to a former employee upon termination, it is not reported as an offer of coverage. Employers should use code 1H (no offer of coverage) for any month in which the COBRA offer applies. If an employee is offered COBRA (due to loss of eligibility) their coverage is reported in the same way and with the same code as an offer of coverage to any other active employee.

Line 15 Calculations

The instructions clarify how to calculate employee contributions: by dividing the total employee share of the premium for the plan year by the number of months in the plan year to determine the monthly premium.

Break in Service

The instructions note that in certain circumstances an employee may have a break in service (which may be due to termination) during which he or she does not earn hours of service, but upon beginning service, is treated as a continuing employee rather than a new hire. The instructions clarify that the individual should only be treated as an employee during the break in service for reporting purposes if the individual remained an employee (was not terminated). An employee on unpaid leave would be treated as an employee for reporting purposes.

HRA Reporting

The 1095-C instructions for Part III (covered individuals) provide that an ALE with self-insured medical and an HRA is only required to report the coverage of an individual under one of the two plans if the individual is enrolled in both. An ALE with a fully insured major medical plan and an HRA is not required to complete Part III in relation to the HRA coverage if the employee is only eligible for the HRA because of enrollment in the major medical plan. However, if an employee has an HRA and is not enrolled in the major medical plan of the ALE, that HRA coverage must be reported under Part III.

1094-B and 1095-B Updates

Who Must File

Every employer that provides minimum essential coverage to an individual during a calendar year must submit a Form 1094-B (transmittal) and Forms 1095-B (returns). Employers that are subject to employer shared responsibility provisions (or employers with 50 or more full-time or full-time equivalent employees) will generally report information about coverage on Form 1095-C instead of Form 1095-B. Applicable large employers (ALEs) may use Form 1095-B to report coverage of individuals who are not full-time employees. Small employers that are not subject to the employer shared responsibility will use Forms 1094-B and 1095-B to report on the coverage that they provide.

Corrections to Forms 1094-B and 1095-B

The instructions provided detailed information on correcting returns. Steps are given for a variety of mistakes, including incorrect names, Social Security numbers, origin of policy information, and covered individual information.

Coverage in More than One Type of MEC

Individuals who are covered by more than one type of minimum essential coverage (MEC) are only required to have reporting on one of the types if one of the following exceptions applies:

- If an individual is covered by more than one type of MEC provided by the same provider, the provider is required to report only one of the types of coverage.
- A provider of MEC generally is not required to report coverage for which an individual is eligible only if the individual is covered by other MEC for which reporting is required. (For employer-sponsored coverage, this exception applies only if both types of coverage are under group health plans of the same employer.)

Under the first exception, if an employer offers a self-insured major medical plan and an HRA, the employer is the provider of both types of coverage and is only required to report the coverage of one of the arrangements. The second exception applies in the following situations:

- An insurance company offering a Medicare or TRICARE supplement for which only individuals enrolled in Medicare or TRICARE are eligible is not required to report coverage under the Medicare or TRICARE supplement.
- A state Medicaid agency is not required to report Medicaid coverage for which only individuals enrolled in other MEC, such as employer-sponsored coverage or a qualified health plan, are eligible.

- An employer with an insured major medical plan and HRA coverage for which an individual is eligible because the individual enrolls in the insured major medical plan is not required to report the coverage under the HRA for an individual covered by both arrangements.

Practically speaking, an employer with a fully insured medical plan would only have to report on a self-funded HRA if the HRA is not integrated. An individual covered by an HRA from one employer and a non-HRA group health plan sponsored by another employer (for example, coverage from their spouse's employer), would receive reports on both the HRA and the other group health plan.

Reporting

The individual's Form 1095 will first be due on February 1, 2016. The employer's or carrier's "roll-up" and other reporting using an IRS Form 1094 will first be due on February 29, 2016, if filing with paper and by March 31, 2016, if filing electronically. Groups that file 250 or more 1095 forms for 2015 will be required to file the Form 1094 and copies of the Form 1095 electronically.

An employer that is concerned about maintaining and transmitting Social Security numbers may use truncated numbers (for example, XXX-XX-1234) on the Form 1095 it provides to the employee, but not on the version it provides to the IRS. Substitute forms will be permitted. Employers may not truncate Employer Identification Numbers (EINs).

An employer must make three attempts to obtain the Social Security number of the individual. One attempt must be made when the person first becomes covered, with additional attempts later in that calendar year and the following calendar year. If a Social Security number is not available, the individual's birth date must be entered.

An employer may file only one Form 1095-C per employee, which means, for example, that if different divisions have different benefits, and an employee moves between divisions during the year, the employer will need to consolidate data onto one 1095-C form. However, each employer must file its own Form 1095-C, so if an employee moves from one employer to another within a controlled group, each employer must prepare a Form 1095-C. If the employee moves from one employer within the controlled group to another during the month, the employer for whom the employee worked the greatest number of hours during the month should report on that employee's offer of coverage and any coverage for that month.

An employer's reporting obligation, including the forms it or its insurer will need to file, varies by its size, its funding method (self-funded or fully insured), and whether it is part of a controlled group. The following section describes the requirements that apply to the most common situations. However, the forms are complicated and employers should review the IRS instructions before completing the forms or designing systems.

For purposes of these forms, an employee is considered full-time if the employee averaged 30 or more hours per week during a calendar month. If a person was a full-time employee for one or more months during the reporting year, Form 1095-C Part II must report for each month during the year, even if the person was not employed during the month. A series of codes, described in the "Needed Information" section of this ACA Advisor, will be used to indicate the person's status for a particular month.

“Minimum essential” coverage is basic medical coverage. Coverage does not need to include the 10 essential health benefits to be considered minimum essential coverage. “Minimum value” coverage is medical coverage that has an actuarial value of at least 60 percent.

Sample Situations

1. Employer with fewer than 50 full-time and full-time equivalent employees in a controlled group during the prior calendar year and no coverage offered
 - No reporting is required.
2. Employer with 50 or more full-time and full-time equivalent employees in a controlled group during the prior calendar year and no coverage offered
 - The employer must provide Form 1095-C (Parts I and II) to each full-time employee.
 - The employer must provide copies of each Form 1095-C and a completed Form 1094-C to the IRS.
3. Employer with fewer than 50 full-time and full-time equivalent employees in a controlled group during the prior calendar year and fully insured coverage offered
 - The insurer must provide Form 1095-B to each employee who had coverage (whether the employee was full-time or part-time). The form will indicate each month for which the employee, a spouse or dependent children had coverage for at least one day. The insurer will also provide Form 1094-B and copies of all Form 1095-Bs to the IRS.
 - The employer has no Form 1095-C reporting duties.
4. Employer with fewer than 50 full-time and full-time equivalent employees in a controlled group during the prior calendar year and self-funded coverage offered
 - The employer must provide Form 1095-B to each employee who had coverage (whether the employee was full-time or part-time) and all individuals who participated in the plan during the calendar year (retirees, COBRA participants, etc.). The form will indicate each month for which the individual, a spouse, or dependent children had coverage for at least one day. The employer will also provide Form 1094-B and copies of all Form 1095-Bs to the IRS.
 - The employer has no Form 1095-C reporting duties.
5. Employer with 50 or more full-time and full-time equivalent employees in a controlled group during the prior calendar year and fully insured coverage offered
 - The insurer must provide Form 1095-B to each employee who had coverage (whether the employee was full-time or part-time). The form will indicate each month for which the employee, a spouse, or dependent children had coverage for at least one day. The insurer will also provide Form 1094-B and copies of all Form 1095-Bs to the IRS.
 - In addition, the employer must provide Form 1095-C with Parts I and II completed to each employee who was employed full-time for at least one month during the year unless the full-time employee was ineligible for coverage for the entire year. (This will occur infrequently, but could happen with a new variable-hours employee in an initial measurement period.) Form 1095-C is required even if the employee declined coverage. The form will need to be provided to an individual who retired or terminated during the year.
 - As a result, employees will receive forms from both the employer and the insurer.
 - The employer will also provide Part 1094-C to the IRS (see the “Needed Information” section of this ACA Advisor for details) along with copies of all Form 1095-Cs.

6. Employer with 50 or more full-time and full-time equivalent employees in a controlled group during the prior calendar year and self-funded coverage offered
 - The employer must provide Form 1095-C with Parts I, II and III completed to each employee who had coverage (whether the employee was full-time or part-time; special coding is needed in Part II for part-time employees who had coverage). This includes an individual who retired or terminated during the year. Part III of the form will indicate each month for which the employee, a spouse, or dependent children had coverage for at least one day.
 - The employer must provide Form 1095-C with Parts I and II completed to each employee who was employed full-time for at least one month during the year and who declined coverage.
 - If the plan covers non-employees (such as directors or individuals who were retired for the entire reporting year) the employer may provide the non-employees with either Form 1095-B or Form 1095-C with Parts I, II and III completed; special coding is needed in Part II if Form 1095-C is used.
 - No form is needed for an employee who did not work full-time for any month during the year and who either was not offered coverage or who declined coverage.
 - The employer will also provide Form 1094-C to the IRS (see the “Needed Information” section of this ACA Advisor for details) along with copies of all Form 1095-Cs.
7. Multiemployer plans of any size
 - If the multiemployer plan is self-funded, regardless of its size, the plan sponsor (such as the trustees or committee) must provide Form 1095-B to each union member who had coverage (whether the union member was full-time or part-time). The form will indicate each month for which the union member, a spouse, or dependent children had coverage for at least one day. The plan sponsor will also provide Form 1094-B and copies of all Form 1095-Bs to the IRS.
 - If the multiemployer plan is fully insured, the insurer must provide Form 1095-B to each union member who had coverage (whether the union member was full-time or part-time). The form will indicate each month for which the union member, a spouse, or dependent children had coverage for at least one day. The insurer will also provide Form 1094-B and copies of all Form 1095-Bs to the IRS.
 - If the employer had 50 or more full-time and full-time equivalent employees in its controlled group during the prior calendar year, whether the employees were union, non-union, or both, it must provide the union employee with Form 1095-C with Parts I and II completed. See above for the forms needed for non-union employees. The employer will also provide Form 1094-C and copies of all Form 1095-Cs to the IRS.
 - An employer is treated as offering health coverage to an employee if the employer is required by a collective bargaining agreement or related agreement to make a contribution for that employee to a multiemployer plan that offers eligible individuals coverage that is affordable and provides minimum value to the individual and his or her dependents. In that instance an employer should enter code 1H on line 14 of the 1095-C and code 2E on line 16, without regard to whether the employee was eligible to enroll in coverage under the multiemployer plan.
8. Employers in controlled groups
 - An employer that is a member of a controlled group or affiliated service group must provide specific additional reporting on Form 1094-C, section IV.

Needed Information

1. **Form 1095-B** – Used by insurers, self-funded plans if fewer than 50 employees are in the controlled group, and self-funded multiemployer plans of all sizes.

Form 1095-B will be used to report that individuals had minimum essential coverage in effect and will include:

- The name, address, and Social Security number of the "responsible individual" (typically this will be the employee, union member, or primary insured; date of birth may be used if a Social Security number is not available).
- The name and Social Security number (or date of birth if a Social Security number is not available) of each covered spouse and dependent.
- The calendar months each employee, spouse, or dependent child was covered for at least one day (if the person was covered for the whole year, this may be reported by year rather than month by month).
- The origin of the policy (whether coverage is through the Small Business Health Options Program (SHOP) Marketplace, an employer, the government, individual insurance, a multiemployer plan, or miscellaneous minimum essential coverage).
- The name, address, and EIN of the employer if an employer sponsors the plan.
- The SHOP Marketplace unique identifier if coverage is provided through the SHOP.

Each "responsible individual" will receive Form 1095-B describing the family unit's coverage.

In addition, the insurer, employer or plan sponsor must file Form 1094-B transmittal form with a copy of each completed Form 1095-B. To complete Form 1094-B this information is needed:

- The insurer's, employer's, or plan sponsor's complete name, address, and EIN and the name and phone number of a contact person (who does not need to be an employee).
 - The total number of 1095-B forms submitted with that particular transmittal form.
2. **Form 1095-C, Parts I and II** – Used by all large employers (those that averaged 50 or more full-time or full-time equivalent employees in their controlled group during the prior calendar year), regardless of whether the plan is fully insured or self-funded.

To help determine whether the large employer offered minimum essential coverage, or coverage that is affordable and provides minimum value during the year, the form requires the employer to indicate whether coverage was offered each month to the employee and to various combinations of family members (such as employee and spouse, employee and dependent children), the robustness of the coverage (minimum essential or minimum value) and whether the coverage was affordable under one of the affordability safe harbors.

Part I (Identifying Information):

- The name, address, and Social Security number of the employee.
- The name, address, federal EIN and a contact telephone number for the employer (who does not have to be an employee). Each employer must complete the form in its own name, even if it participates in a plan sponsored by another entity.

Part II (Offer of Coverage):

- Information on the coverage offered to the employee, using a series of codes labeled Code Series 1. If coverage did not vary during the calendar year, the employer may use one code to report all 12 months, or it may report each month separately. If coverage varied during the year, the relevant code is needed for each month. The reporting will be made on a calendar year basis, even if the employer has a non-calendar year plan. All months must be completed even if the employee only worked for the employer for part of the year. In situations in which multiple codes may apply, the IRS Instructions explain which code to use.
- The Series 1 offer codes are:
 - Code 1A – Offered minimum value coverage to the full-time employee with an employee contribution for self-only coverage less than or equal to 9.5 percent of the federal poverty level (FPL) for the 48 contiguous states and offered at least minimum essential coverage to the spouse and dependent children (a “qualifying offer”). If this code is used, line 15 must be left blank.
 - Note: If an employer meets all the requirements of 1A but uses an affordability safe harbor rather than the FPL, it cannot use 1A.
 - Note: If an employer offered minimum value coverage to a *part-time* employee with an employee contribution for self-only coverage less than or equal to 9.5 percent of the FPL for the 48 contiguous states and offered at least minimum essential coverage to the spouse and dependent children, it cannot use 1A.
 - Code 1B – Offered minimum value coverage to the employee only.
 - Code 1C – Offered minimum value coverage to the employee and at least minimum essential coverage to the employee’s dependent children (but not to the spouse).
 - Code 1D – Offered minimum value coverage to the employee and at least minimum essential coverage to the spouse (but not to the employee’s dependent children). An employer that excludes or imposes a surcharge on spouses who have coverage available through the spouse’s employer may use this code even if the employee’s spouse falls under the carve-out.
 - Code 1E – Offered minimum value coverage to the employee and at least minimum essential coverage to both the dependent children and the spouse. An employer that excludes or imposes a surcharge on spouses who have coverage available through the spouse’s employer may use this code even if the employee’s spouse falls under the carve-out. This treatment is for reporting purposes only, and generally will not affect the spouse’s eligibility for the premium tax credit if the spouse did not meet the condition and therefore did not have an actual offer of coverage.
 - Code 1F – Offered coverage that is minimum essential coverage but does not provide minimum value to the employee, or to the employee and the employee’s spouse or dependents, or to the employee the employee’s spouse and dependents.
 - Code 1G – Offered coverage to an employee who was not a full-time employee and the employee enrolled in coverage that is self-funded.
 - Code 1H – No medical coverage was offered at all, or the coverage that was offered is not minimum essential coverage.
 - Code 1I – 2015 qualifying offer transition relief: Employee, spouse, or dependents received no offer of coverage, received an offer of coverage that was not a “qualifying offer” or received a “qualifying offer” for less than all 12 months but 95 percent of the employees did receive such an offer (see the Transition Options section for details).

- If the offered coverage meets minimum value (that is, codes 1B, 1C, 1D, or 1E apply), the employee share (to the nearest cent) of the lowest cost monthly premium for self-only minimum value coverage for which the employee is eligible for each month (not the premium for the coverage the employee has elected) will be entered on line 15.
 - Employee status codes, labeled Code Series 2, will be entered in line 16 if applicable. In some cases the code will be used by the IRS to determine whether a penalty is owed, which means it is generally desirable to enter one of these codes. For example, if a full-time employee declined coverage, the affordability code that applies to the employee's class of employees should be entered. In situations in which more than one code applies, the instructions explain which code to use. The status codes are:
 - Code 2A – Employee was not employed at all during the month.
 - Code 2B – Employee was employed but not a full-time employee. This code also is used for the last month of an employee's employment if coverage ended prior to the last day of the month.
 - Code 2C – Employee was enrolled in the coverage offered. This code should be used if the employee enrolled in the employer-sponsored coverage, even if other codes apply.
 - Code 2D – Employee was in a "limited non-assessment period" (for example, a new full-time employee was within the first three full calendar months of employment).
 - Code 2E – Multiemployer interim rule relief applies (essentially, the employer is credited with coverage offered under a multiemployer plan if the employer is obligated to contribute for the employee's union plan coverage). This code should be used if the employee is eligible for affordable, minimum value coverage through a multiemployer plan to which the employer contributes, even if other codes apply. This code should be used in conjunction with code 1H on line 14.
 - Code 2F – Coverage is affordable using the W-2 safe harbor (the cost of single coverage for the least expensive option that provides minimum value did not exceed 9.5 percent of the employee's Form W-2, Box 1 income for the year that is being reported; if this method is used it must be used for the entire calendar year).
 - Code 2G – Coverage is affordable using the federal poverty line safe harbor (the cost of single coverage for the least expensive option that provides minimum value did not exceed 9.5 percent of the FPL for the 48 contiguous states).
 - Code 2H – Coverage is affordable using the rate of pay safe harbor (generally, the cost of single coverage for the least expensive option that provides minimum value did not exceed 9.5 percent of the employee's rate of pay at the beginning of the coverage year that is being reported).
 - Code 2I – Non-calendar year transition relief applies (i.e., the employer is using a plan year other than a calendar year and qualifies under the transition rules to delay compliance with the pay or pay requirement until the start of the 2015 plan year).
3. **Form 1095-C, Part III** – Used by employers with 50 or more employees in their controlled group that sponsor a self-funded plan.

To complete Part III, the employer will need:

- The name and Social Security number (or date of birth if a Social Security number is not available) of each covered person (that is, the employee and any covered spouse or dependent children).

- The calendar months each person was covered for at least one day (if the person was covered for the whole year, this may be reported annually rather than month by month).

If a full-time employee declined the offered self-funded coverage, Part III will be left blank for that employee, but Parts I and II still must be completed. If an employee who works less than full-time was covered under the self-funded plan, Part III should be completed for that employee (and part of Part II will also need to be completed, using Code 1G to indicate the person was not a full-time employee).

If employees are married and one is covered as a dependent, Part III of Form 1095-C should only be completed for the employee who is the primary insured, with the enrollment information for the spouse and any children listed on that employee's form.

4. **Form 1094-C, Parts I, II and III** – Used by all employers that issue Form 1095-C.

To complete the Form 1094-C this information is needed:

- The employer's name, address, and EIN and the name and phone number of a contact person (who does not need to be an employee).
- The total number of 1095-C forms submitted with that particular transmittal form. An employer may file more than one Form 1094-C if that simplifies reporting. However, one of the forms must then be designated as the "authoritative transmittal."

Note: Government employers that provide benefits through a larger entity may do some reporting through a "designated government entity." See the "Designated Government Entity" section below for details. Other employers should skip this section of the form.

One Form 1094-C must be designated as the "authoritative transmittal," even if the employer only submits one Form 1094-C. The "authoritative transmittal" needs this additional information:

- The total number of 1095-C forms submitted by the employer.
- An indication of whether the employer is part of an ALE Aggregated Group (i.e., a controlled or affiliated service group) with 50 or more full-time or full-time equivalent employees.
- Under the "Certifications of Eligibility" section, any exemption claimed from reporting or penalties because of its size, 2015 transition rules, or offering coverage to a very high percentage of individuals (see the "Transition Options" section, below, for details).
- On a month-by-month basis (or for the full year if nothing changes):
 - Whether minimum essential coverage was offered to at least 70 percent of full-time employees and dependents (excluding those in a waiting period; in addition an employer that does not presently offer coverage to dependent children but intends to do so by 2016 may mark this box "yes").
 - The total number of full-time employees of that employer for the calendar month, excluding newly-hired full-time employees in a waiting period and variable-hours or seasonal employees in an initial measurement period. An employer that offers affordable minimum value coverage to 98 percent of its full-time employees and minimum essential coverage to their spouses and dependent children does not need to report the employee count and marks the "98% Offer Method" box under the Certifications of Eligibility section.
 - The total employee count, including part-time employees and employees who are not yet eligible for coverage, for the calendar month (the count may be made as of the first day of the month, the last day of the month, the first day of the first pay period of the month or – if the

pay period will always end within the calendar month – the last day of the first payroll period of the month, but a consistent date must be used).

- Whether the employer is part of a controlled or affiliated service group for a calendar month, or the full year.
- Whether the employer qualifies for transition relief for 2015 either because it had 50 to 99 employees in 2014 and met the maintenance of coverage requirements (code A is used), or it had 100 or more full-time and full-time equivalent employees in 2014 and therefore may use the "free 80 employees" against a penalty that may be due for failing to offer coverage to enough employees (code B is used). This reporting supplements the election of "Section 4980H Transitional Relief" under the Certifications of Eligibility section of the form.

5. **Form 1094-C, Part IV** – Used by employers that were part of a controlled group

To complete Part IV of Form 1094-C, the employer that is in a controlled or affiliated service group must enter the name and EIN of all other employers that were part of the group during all or part of the calendar year. If there are more than 30 employers in the group, only the 30 largest will be reported. The other employers must be listed in descending order with the employer with the largest average number of full-time employees listed first.

Transition Options

Employers that offer particularly generous coverage may use alternative, simplified reporting instead of the "general" reporting explained above. Unfortunately, none of these available methods reduce reporting by very much. The employer may use different alternative reporting methods for different groups of employees. Three alternative methods will be available for 2015.

1. **Qualifying Offer Method.** If the employer makes a "qualifying offer" to one or more full-time employees, it can provide a code instead of the cost of coverage information on line 15 of Form 1095-C. In addition, if qualifying offer coverage is offered for the entire year and the employer offers fully insured (not self-funded) coverage, the employer may provide a notice to the employee instead of the completed Form 1095-C. The streamlined reporting must include the employer's name, address and EIN, a contact name and phone number, and a statement indicating that, for all 12 months of the calendar year, the employee and his or her spouse and dependents, if any, received a "qualifying offer" and, therefore, are not eligible for a premium tax credit. A "qualifying offer" is an offer that meets all of these requirements:

- It is offered to the employee and to any spouse and dependent children.
- It provides minimum value to the employee and at least minimum essential coverage to the spouse and children.
- It has an employee contribution for single coverage that is less than 9.5 percent of the FPL in the 48 contiguous states (FPL for 2015 is \$11,170).

However, the employer still must provide a copy of Form 1095-C to the IRS. Employers might find this useful, therefore, only if they believe the statement will generate fewer employee questions than the completed Form 1095-C, or it will have difficulty providing the lowest cost premium information.

2. **Qualifying Offer Method Transitional Relief Method.** For 2015 only, an employer may take advantage of the "qualifying offer method transitional relief method" if it has provided a "qualifying offer" to 95 percent of its full-time employees, their spouses, and dependents during 2015. (The 95

percent does not include those who are not yet eligible for coverage.) Instead of reporting the cost of the least expensive minimum value coverage available on Form 1095-C, the employer will use a code for each month to indicate whether the employee did or did not receive a qualifying offer for the month. Instead of providing the completed Form 1095-C to the employee, if the offered coverage is insured (not self-funded) the employer may provide a statement that includes the employer's name, address and EIN, a contact name and phone number, and one of two statements. If the employee and his or her spouse and dependents, if any, received a qualifying offer for all 12 months of the calendar year and, therefore, are not eligible for a premium tax credit, the statement will indicate that the employee and any dependents are not eligible for any premium tax credits for the year. Any full-time employees that do not receive a qualifying offer for all 12 months must receive a statement that they may be eligible for premium tax credits for any months in which a qualifying offer was not made.

However, the employer still must provide a copy of Form 1095-C to the IRS. Employers might find this useful, therefore, only if they believe the statement will generate fewer employee questions than the completed Form 1095-C, or it will have difficulty providing the lowest cost premium information.

- 3. 98% Offer Method.** If the employer offers affordable, minimum value coverage to at least 98 percent of its total employees (regardless of whether they are full-time or part-time) it does not need to report whether an employee is full-time and it does not need to provide a count of its full-time employees. However, it will still need to provide Form 1095-C to each of its employees, which includes all of the other information required, and if an employee requests a premium tax credit, it will need to respond to an IRS inquiry about the employee's work and coverage status. Employers that anticipate difficulties reporting full-time employees (excluding those in waiting periods) may find this option helpful.

Designated Government Entity

Governmental units may file themselves or they may designate another person or entity that is part of, or related to, their governmental unit to report on their behalf. A separate Form 1094-C must still be filed for each separate unit. Government units that designate another to report for some, but not all, of their employees need to coordinate the "authoritative transmittal" with the other entity. The designated person must agree in writing to assume the filing responsibility.

9/18/2015

This information is general and is provided for educational purposes only. It is not intended to provide legal advice. You should not act on this information without consulting legal counsel or other knowledgeable advisors.



Shared Wisdom. Powerful Results.®