

Benefit Comply

Employee Benefit Compliance Support

ACA Employer Reporting Guide

**A practical guide to understanding the
ACA §§ 6055 and 6056 employer reporting requirements**

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Introduction to ACA Employer Reporting

Background

Certain employers, plan sponsors, and insurers are required to report health plan information and participant coverage-related data to the IRS. The IRS will use this information to administer and regulate various aspects of the Affordable Care Act (ACA), including the individual shared responsibility payments (the "individual mandate"); an individual's eligibility for a premium tax credit when purchasing health insurance through a public Exchange; and the §4980H employer shared responsibility rules.

Timing of Reporting

Employer reporting is required beginning in early 2016 for 2015 employer plan and participant coverage data. Reporting will be based on a calendar year regardless of the employer's plan year. Annual employer returns must be filed with the IRS by the last day of February (or March 31, if filed electronically). Corresponding employee and participant statements must be provided annually by January 31. These are the same deadlines that apply to employer W-2 reporting.

Who Must Report?

All fully-insured and self-funded "applicable large employers" (ALEs) as defined by the ACA (generally those with at least 50 FTEs) will be required to comply with some portion of the reporting requirements. ALEs who sponsor self-funded plans are subject to additional detailed individual participant coverage reporting.

Small employers who do not meet the definition of an ALE must report participant coverage information to the IRS if they sponsor a self-funded health plan. However, small employers who offer only fully-insured plans are not subject to the reporting requirements. Health insurance companies will report individual participant coverage details to the IRS for fully-insured plans.

Note: The IRS delayed the 4980H employer shared responsibility requirements for most employers with 50-99 FTEs until 2016; however, reporting requirements have not been delayed. Consequently, employers with 50-99 FTEs are still subject to the reporting requirements beginning in 2016 for 2015 calendar year plan data.

Format of Reporting

In general the reporting process will work in much the same way as current W-2 reporting. A statement (the Form 1095) will be sent to the IRS with a copy provided to the employee/participant. The exact information required to be provided to the IRS will depend on a number of factors (described in more detail below). Of particular relevance is whether the employer plan is self-funded or fully-insured.

In addition to providing a Form 1095 for each applicable employee and covered individual, employers must file with the IRS at least one Form 1094 (most employers will use the 1094-C), which provides summary employer plan and offer of coverage information.

The following table outlines which parts of each form apply based on the type of employer and plans offered. Note that an applicable large employer who offers both a fully-insured and a self-funded plan to employees will complete different portions of Form 1095, depending on which plan the individual has selected.

	Applicable Large Employer Fully-Insured Plan	Applicable Large Employer Self-Funded Plan	Small Employer Self-Funded Plan
1095 - C	Part I - Employee & Employer Info	Part I - Employee & Employer Info	
	Part II - Offer of Coverage (eligibility) Info (6056)	Part II - Offer of Coverage (eligibility) Info (6056) Part III - Info on Covered Individuals (6055)	
1094 - C	Part I & II - Employer Info	Part I & II - Employer Info	
	Part III - Monthly Employer & Plan Info (6056)	Part III - Monthly Employer Plan Info (6056)	
1095-B		Self-Funded employers may optionally use 1095-B instead of the "C" forms to report covered "non-employees" (Retirees, COBRA, etc.) (6055)	Part I, II, III - Employer Info Part IV - Info on Covered Individuals (6055)
1094-B			Basic Employer Information (No plan or eligibility information required)

How to Use This Guide

This guide contains instructions, examples, and practical hints employers can use to comply with applicable reporting requirements and is designed to assist employer plan sponsors in understanding those requirements. It does not address reporting requirements that apply to health insurance companies or state or federal health insurance marketplaces.

Many employers will use a third-party vendor such as a benefits administration provider, payroll vendor, or HRIS system to assist with reporting requirements. The problem many employers face is that in most cases, no single vendor or system contains all of the information necessary to complete the reporting. Therefore it may be necessary to share information between systems or begin to import more data into the system chosen to track information for reporting purposes.

To help employers understand the reporting process at a higher level, we have intentionally omitted some of the more specific rules that apply to various situations. The IRS has published detailed line-by-line instructions for all versions of Forms 1095 and 1094. Employers should use this guide as a companion to official IRS instructions, which should be consulted for more information regarding specific reporting details.

Employers may find it useful to have a copy of the IRS instructions and copies of the actual 1095-C and 1094-C for reference purposes when reviewing this guide. The latest versions, instructions, and additional information can be found on the IRS website at:

<http://www.irs.gov/uac/About-Form-1095-C> and <http://www.irs.gov/uac/About-Form-1094-C>.

Section 1 – Understanding the 1095

1095 Overview

Employers must provide a Form 1095 (or alternative statement if applicable—see details below) to any employee who was employed full-time for any month during the calendar year. A 1095 must also be provided to any individual (including non-employees) who participated in a self-funded employer-sponsored plan during the year.

- The 1095-C will be used by ALEs for all full-time employees and can be used for any non-full-time employee covered by an ALEs self-funded plan.
- The 1095-B will be used by small (non-ALE) employers who sponsor self-funded plans, and can optionally be used by ALEs to report for non-employees (such as retirees, COBRA participants, non-employee board members, etc.) covered by the employer's self-funded plan.

ALEs will be using the 1095-C for most reporting purposes, so this guide will focus on the 1095-C requirements. ALEs who offer self-funded coverage to non-employees (who choose to optionally use the 1095-B) and small employers with self-funded plans should refer to IRS 1095-B instructions.

The Form 1095-C contains three parts, but not all employers must complete all three parts. The specific information required depends on whether the plan is fully-insured or self-funded.

Form 1095-C Parts

Part I – Basic employee and employer information including names, taxpayer ID numbers, address, contact information, etc.

Part II – Used to report offers of coverage, employee contribution requirements, and employer safe harbors (applicable to that employee), for each month of the calendar year.

Part III – Used to provide monthly details on covered individuals (including spouses and dependents) covered by the plan during the calendar year. Data includes name, SSN (or DOB if SSN is not available), and an indication of the calendar months for which the individual was covered by the plan.

Which parts of the 1095-C do employers have to complete?

- Applicable Large Employers (ALEs) who sponsor fully-insured plans must complete Parts I and II of the Form 1095-C, but are not required to complete Part III (which details the coverage provided on a monthly basis).
 - The carrier providing this fully insured coverage will report to the IRS and issue a 1095 to covered individuals containing the coverage-related information.
- Applicable Large Employers (ALEs) who sponsor self-funded plans must complete all three parts (I, II, and III) of the 1095-C.
- Applicable Large Employers (ALEs) who sponsor both fully-insured and self-funded plans are required to fill out Parts I & II for all full-time employees, and to complete Part III only for individuals who are covered by a self-funded plan.

1095-C Parts I and II

Much of the information required in Part I of the 1095-C is basic employer and employee information such as address, contact information, EIN, etc., and it will not be difficult for employers to complete this section.

However, Part II will be more challenging for many employers as they develop the systems and processes necessary to keep track of employee-related information on a month-by-month basis. Specifically, lines 14 and 16 of Part II require ALEs to use specific codes defined by the IRS to report what types of offer of coverage they made available to employees. The section is also used to notify the IRS of other situations that may apply, including the employee status each month and the employer's use of affordability safe harbors.

Qualifying Offer of Coverage

One concept employers must understand to properly complete the 1095-C is the "qualifying offer of coverage." A qualifying offer is made if an employer offers the employee minimum value (MV) coverage, with a cost to the employee for single coverage of less than 9.5% of the current federal poverty rate for an individual. In 2015 this works out to \$93.18 per month (the FPL is adjusted every year, so this will be slightly higher each year).

A qualifying offer does two things for the employer:

1. The employer does not need to provide the amount of the lowest cost coverage available to that employee in line 15 (see below).
2. If offered for all 12 months, the employer may be allowed to provide the employee with an alternative statement instead of a copy of the 1095. However, this may be of limited value to most employers since the 1095 must still be provided to the IRS.

2015 Qualifying Offer Method Transition Relief

For 2015 only, the IRS also has provided what it calls "Qualifying Offer Transition Relief." To be eligible to use the Qualifying Offer Method Transition Relief, the employer must certify that it made a Qualifying Offer to at least 95% of its full-time employees.

The benefit to the employer of this relief is that the employer would not be required to provide the cost of the low-cost plan offered to an employee in line 15 (see below) for any employees. In this case, the employer would use codes 1A and 1I only for employees who were offered coverage and would not fill out the cost of the employer low-cost plan in line 15 for any employees.

Completing Lines 14, 15, and 16

Line 14 – Offer of Coverage

Employers will use one of eight codes to report on line 14 the type of offer of coverage made by month to the employee. If one code applies for the entire 12 months, the code is entered only once in the "12 month" column. Nothing on line 14 signifies whether an employee has actually elected coverage. This line represents only whether an offer of coverage was made.

The following chart lists the available codes. The third column represents how often a particular code is likely to be used by a typical employer. For example very few employers offer coverage to the employee and the spouse, but not to dependent children; consequently, code 1D will rarely be used.

Note – an offer of coverage is valid for the month only if coverage is available for every day during that month.

Code	Description	How Common
1A	Qualifying offer of coverage - Minimum value (MV) coverage offered to employee at a cost for single coverage of less than 9.5% of FPL (\$93.18/mo in 2015), and at least minimum essential coverage (MEC) is offered to spouse and children	Common
1B	Offer of MV coverage to Employee only	Rare
1C	Offer of MV coverage to Employee + and at least MEC offered to Dependent (but not spouse)	Some
1D	Offer of MV coverage to Employee + and at least MEC offered to Spouse (but not dependents)	Rare
1E	Minimum value (MV) coverage offered to Employee; at least MEC offered to spouse & dependents	Common
1F	MEC that is not MV offered to Employee	Some
1G	Self-funded plan offered to part-time Employee or non-Employee	Rare
1H	No offer of coverage	Common
1I	No offer to Employee but Employer using qualifying offer transition relief	Some

Line 15

If an employer offers minimum value coverage to the employee at a cost to the employee of more than 9.5% of FPL for a single individual (\$93.18/mo. in 2015), line 15 must be completed. In other words, if on line 14 the employer uses Code 1B, 1C, 1D, or 1E, line 15 must be completed.

The employer enters the amount of the employee's share of the lowest-cost monthly premium for self-only minimum value coverage that is offered to the employee. Note that this line is included to report the lowest cost plan offered to the employee, not the plan the employee actually chooses.

If the employer has entered 1A in line 14, then nothing needs to be included in line 15 since 1A indicates that the employer offered an MV plan to the employee that cost less than 9.5% of FPL.

Line 16

Employers will also use one of eight codes to report additional information on the status of employees on line 16. This line does not always have to be completed; the employer enters a code only if one applies to the employee for that particular month. The purpose of this line is to provide the IRS with additional information that will help the agency more accurately assess liability for employer payments and individual tax liability.

Code	Description
2A	Employee not employed any day that month
2B	Employee part-time or used for termination month if the Employee is not offered coverage for the entire month of termination
2C	Employee is enrolled in coverage - spouse and dependent enrollment is not relevant to the use of this code, it is used to report the employee's enrollment only (Use this code first before any other codes that may apply)
2D	Employee in non-assessment period (e.g. waiting period or initial measurement period)
2E	Multi-employer plan interim relief
2F	Employer using the W-2 affordability safe harbor
2G	Employer using the Federal Poverty Line (FPL) safe harbor
2H	Employer using the rate of pay safe harbor
2I	No offer to Employee but Employer using non-calendar year transitional relief

Additional line 16 guidance:

- If an employee has elected coverage for the month, the employer must use code 2C (enrolled in coverage) even if other codes may also apply.
- Line 16 would not be completed when a full-time ongoing employee is offered coverage but does not participate in the plan, and the employer is not using any of the employer affordability safe harbors, the non-calendar year transition relief, or the multi-employer plan interim relief.

1095-C Part II Examples

The following examples illustrate how a 1095-C would be completed for a number of common employee offers and participant coverage situations.

Example 1

- New employee hired Feb. 15th with coverage offered May 1st after waiting period of 1st of the month following 60 days.
- Employee cost for lowest cost MV plan is less than 9.5% of FPL (\$93.18 in 2015).
- Employee waives coverage.

Part II Employee Offer and Coverage													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1A	1A	1A	1A	1A	1A	1A	1A
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2D	2D	2D								

Line 14

- 1H = No offer of coverage Jan – Apr
- 1A = Offer of coverage at less than 9.5% of FPL

Line 15

- No entry required in line 15 since offer is less than 9.5% of FPL

Line 16

- 2A = Not employed in Jan
- 2D = Employee in non-assessment period (i.e. waiting period)
 - No entry is necessary for May – Dec since employee did not elect coverage. Had employee elected coverage, employer would have entered 2C.

Example 2

- Employee has waived coverage.
- Employee was terminated August 15th and plan offers coverage only until the date of termination.
 - Even though employee waived coverage, the plan cannot claim an offer of coverage for the entire month of August since coverage would have terminated on the date of termination.
- Employee cost for lowest cost MV plan = \$110 per month.
- Employer has set contributions for this class of employee based on the W-2 employer safe harbor.

Part II Employee Offer and Coverage													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2F	2F	2F	2F	2F	2F	2F	2B	2A	2A	2A	2A

Line 14

- 1E = Offer of MV coverage Jan – Jul
- 1H = No offer of coverage Aug – Dec

Line 15

- Lowest employee cost for MV plan offered Jan – Jul = \$110

Line 16

- 2F (Jan – Jul) = Employer using employer W-2 affordability safe harbor
- 2B (Aug) = Special code for part-time employees or an employee in their termination month when there is not a full month of coverage offered
- 2A = Not employed Sep – Dec

Example 3

- Employer with May 1 plan year is taking advantage of the 2015 non-calendar year plan transition relief and is not offering coverage to some full-time employees until May 1, 2015.
- Employee cost for lowest cost MV plan = \$110 per month.
- Employee enrolls in coverage May 1.

Part III Employee Offer and Coverage													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1E	1E	1E	1E	1E	1E	1E	1E
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10	\$ 110.10
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2I	2I	2I	2I	2C	2C	2C	2C	2C	2C	2C	2C

Line 14

- 1H = No offer of MV coverage Jan – Apr
- 1E = Offer of coverage May – Dec

Line 15

- Lowest employee cost for MV plan offered May – Dec = \$110

Line 16

- 2I (Jan – Apr) = Employer taking advantage of non-calendar year transition relief
- 2C = Employee enrolled in coverage May – Dec

1095-C Part III

ALEs who sponsor a self-funded health plan will also be required to complete Part III of the 1095-C for all full-time employees, and for any other non-employee individuals, who are covered by the self-funded plan for any month of the year. Part III is not completed for employees who are covered by a fully-insured plan. Insurance carriers will provide these covered individuals with a separate 1095 coverage statement.

Part III is used by employers to report coverage-related information for all covered individuals, including employees, non-employees, spouses, and dependents. For each individual covered by the self-funded plan, the employer must provide the following data:

- Name
- SSN (DOB may be used if SSN is not available subject to rules described below)
- Indication of whether individual had coverage in any employer sponsored Minimum Essential Coverage (MEC) for each calendar month (Y or N)

Part III Example

- Employee is covered by self-funded plan all 12 months.
- Employee marries and adds new spouse to plan effective in March.
- Employee has baby on Dec. 1 and adds child to plan.
 - Employee has not yet obtained a SSN for new baby.

Part III Covered Individuals
 If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
17 Employee Name	123-45-6789		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Spouse Name	967-65-4321		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
19 Dependent Name		12/01/2015	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
20			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other Part III Details

- The employer should check the coverage box if an individual is covered for at least 1 day during the month.
- Employers must show that they have made a reasonable attempt to acquire the SSN of all covered individuals, including spouses and dependents, before using the DOB as an alternative. The IRS has provided guidance on demonstrating that a reasonable attempt to acquire the SSN has been made. Employers should familiarize themselves with this guidance before choosing to use the DOB in column (c).

Alternative Statement

An employer who makes a qualifying offer (see above) to an employee for all 12 months of the calendar year may provide a simplified statement in lieu of a copy of the Form 1095 to the employee. The employee alternative statement must include:

- Employer name, address, EIN, and contact information; and
- A statement that for all 12 months the employee received a qualifying offer and therefore is not eligible for a premium tax credit when purchasing individual health insurance through a public Exchange.
- A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information on eligibility for the premium tax credit.

Practically, however, the alternative statement may be of little value to most employers. Even if the employer meets this requirement, the employer must still provide a Form 1095 to the IRS. Also, the alternative statement may not be used for those who enroll in the employer's self-funded plan. Many advisors believe that it will be easier for most employers to simply provide the copy of the Form 1095 to the employee than to create an alternative statement.

Section 2 – Understanding the 1094-C

1094-C Overview

In addition to sending a Form 1095 for all applicable employees and covered individuals to the IRS, employers are also required to submit at least one Form 1094. It may be helpful to think of the 1094 as the "cover sheet" to the 1095s the employer is submitting to the IRS. Form 1094-C will be used by

most employers to report summary information to the IRS, and to transmit the employer's Form 1095-Cs to the IRS. The simpler 1094-B will be used by small employers (who are not ALEs) who sponsor a self-funded health plan. This guide does not specifically address the 1094-B. More information can be found on the IRS website at <http://www.irs.gov/uac/About-Form-1095-B>.

1094-C Parts

The Form 1094-C has four parts that must be completed by the employer.

Part I – Basic employer information, including name, EIN number, address, contact information, etc.

Part II – Additional information on the employer including:

- Total number of Form 1095s filed on behalf of the employer.
- Indication of whether the employer is part of an aggregated employer group based on the IRS §414 controlled group and affiliated service group rules.
- Certification by the employer that it meets certain transitional relief or offer of coverage requirements (Line 22). The employer simply checks any box in this line that applies to the employer.
 - A. The employer is making a qualifying offer of coverage to some employees (i.e. offering an MV plan at a cost to the employee for single coverage of less than 8.5% of FPL).
 - B. The employer is taking advantage of the 2015 qualifying offer method transition relief (i.e. making a qualifying offer to 95% of its full-time employees).
 - C. The employer is taking advantage of one of the 4980H transitional relief rules such as the transition relief available for employers with 50-99 FTEs, or non-calendar year plan transitional relief.
 - D. The employer is making a 98% Offer of Coverage – To take advantage of this method, an employer is required to certify that it offered minimum value (MV) coverage to at least 98% of full-time employees, and that the coverage was affordable based on any of the employer affordability safe harbors in the ACA shared responsibility regulations. Employers who qualify for the 98% offer method do not need to report the number of full-time employees in Part III column (b) of their 1094.



Part III – This section is used to report aggregate employer information for each month of the calendar year, including:

- Column (a) – Whether the employer offered minimum essential coverage (MEC) to substantially all full-time employees for each month in the calendar year.
- Column (b) – The total number of full-time employees for each month.
 - The number of full-time employees is determined based on IRS guidance, and will depend on the method the employer chooses to use to define “full-time” for ACA purposes. In general, the ACA defines a full-time employee as an employee with at least 130 hours of service in a month, but employers may also choose to use the IRS look-back measurement period safe-harbor method to define full-time.
- Column (c) – Total employees (both full-time and part-time) employed for each month.
 - The employer may pick either the first or last day of the month, or the first or last day of the first payroll period for the month, to report total employees.

- Column (d) – An indication of whether the employer is part of an aggregated employer group based on the IRS §414 controlled group and affiliated service group rules for each month.
- Column (e) – An indication (by code) of whether the employer is eligible for any of the transitional relief provided in previous IRS guidance for each month:
 - Code A is used to identify employers eligible for the transition relief available to employers with 50-99 FTEs.
 - Code B is used to identify the months during 2015 only when an employer did not offer coverage to substantially all full-time employees (i.e. 70% in 2015), and the transitional rule which calculates the §4980H(a) penalty after the first 80 (instead of 30) full time employees applies.

Part IV – An employer who is part of an aggregated group of employers must list other employer members of the group in Part IV. An Aggregated ALE Group refers to a group of ALE employer members treated as a single employer under section 414(b), 414(c), 414(m), or 414(o) of the Internal Revenue Code.

Other 1094-C Reporting Issues

- Employers may provide the IRS with a single 1094 in conjunction with all 1095s provided to the IRS, or may attach a 1094 to each 1095. If separate 1094s are submitted with the 1095s, the employer must identify one 1094 as the employer's "authoritative transmittal" and provide the total count of 1095s. Generally, Part II of Form 1094 is completed only on the authoritative transmittal.
- Each employer who is a member of an aggregated group is responsible for submitting a separate 1094 and reporting for the employees of that particular employer.

Section 3 – Finding, Collecting, and Tracking the Required Data

Most employers already maintain, or have access to, the information that is required to properly complete the required Forms 1095 and 1094. The challenge is that in many cases the information is located in various systems or managed by different vendors.

Where is the information now?

Although many employers assume that their payroll or benefits administration vendor will be able to assist with the reporting, employers will typically need to provide a significant amount of information not traditionally used by payroll vendors. Much of what needs to be included in the reporting is information only the employer knows. For example:

- Is the employer a member of an aggregated group of employers?
- Has the employer decided to set employee contribution rates using one of the IRS employer affordability safe harbors?
- When determining full-time employee status and determining the total number of full-time employees each month, will the employer be using a monthly determination of full-time status, or will it be using the optional IRS look-back measurement period approach?
- What type of coverage is being offered?

The following charts provide a framework designed to assist employers in identifying where various data currently resides based on what is required for each line of the 1095-C and the 1094-C. The entries in these charts are not meant to be definitive, or even applicable to any particular employer. Rather, they are to be used as an example of how an employer may want to approach the mapping of where the information currently resides and what needs to be provided to whatever entity, system, or vendor the employer chooses to use to complete the reporting.

Form 1095-C			Payroll Vendor or System	Employer HRIS or Benefits Admin Sys.	Employer HR or Benefits Department
Part I	Line	1-6	Name, SSN, and address of employee		
	Line	7-13	Name, EIN, address, & contact information of employer		
Part II	Line	14	Series 1 Codes - Offer of Coverage Details		X
	Line	15	Employee Share of Lowest Cost Monthly Premium		X
	Line	16	Series 2 Codes (covered, not employed, safe harbors, etc.)	?	?
Part III	Line	17-22	Covered Individuals Details		
	Section	(a)	Name of covered individuals	X	X
	Section	(b)	SSN	X	X
	Section	(c)	DOB (if SSN not available)	?	X
	Section	(d)	Covered all 12 months	?	X
	Section	(e)	Months of Coverage	?	X

Form 1094-C			Payroll Vendor or System	Employer HRIS or Benefits Admin Sys.	Employer HR or Benefits Department
Part I	Line	1-8	Name, EIN, address & contact information for employer		
	Line	9-16	Name, EIN, address & contact information for designated government entity if applicable		
	Line	17	Reserved for future IRS use		
	Line	18	Total number of Forms 1095-C submitted with this transmittal		
Part II	Line	19	Is this the authoritative transmittal?		X
	Line	20	Total number of Forms 1095-C filed by and/or on behalf of ALE Member	?	?
	Line	21	Is ALE Member a member of an Aggregated ALE Group?		X
	Line	22	Certifications of eligibility for certain relief		X
Part III	Lines	23-35	All 12 Months and each month individually		
	Section	(a)	Minimum Essential Coverage Offer Indicator		?
	Section	(b)	Full-Time Employee Count for ALE Member	?	?
	Section	(c)	Total Employee Count for ALE Member	?	?
	Section	(d)	Aggregated Group Indicator		X
	Section	(e)	Section 4980H Transition Relief Indicator		X
Part IV	Lines	36-65	Names and EINS of other ALE Members of the Aggregated ALE Group (if applicable)		X

Tracking Employee Status

Tracking the employees' offers of coverage status for purposes of Part II of the 1095-C is obviously one of the most challenging aspects of the reporting for some employers. On the other hand, depending on the demographics of the particular employer, this requirement may be very easy in some situations.

Take for example an employer who offers full-time employees MV coverage at a cost of \$90 per month (i.e. less than 9.5% of FPL) for single coverage, and 75% of the employees have participated in the plan all year. Here is what lines 14-16 will look like for all of these employees who have elected coverage.

Part II Employee Offer and Coverage													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)	1A												
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C												

- Line 14 – 1A = qualifying offer of coverage all 12 months
- Line 15 – No entry necessary with qualifying offer of coverage
- Line 16 – 2C = enrolled all 12 months

Obviously, additional information will be necessary for other situations such as new hires, terminated employees, etc. The point is that there will be very little to report for groups of ongoing employees who are enrolled in affordable, minimum value coverage offered by the employer.

Section 4 – Other Information and Resources

What to Do Now

The most important thing employers can do now is to find the information necessary to complete the reporting, and create a plan for how to consolidate that information and communicate it to whatever vendor or system the employer chooses to use to submit the data to the IRS.

One strategy would be to go through a “dry run” using actual 2014 employee and plan data and fill out the 1095 and 1094 forms, even if the employer has no plans to send them in to the IRS. Note that the current forms available from the IRS are for 2014 data for use by employers who chose to voluntarily report 2014 information. The forms and instructions will be updated for 2015 and released later in the year; however, significant changes are not expected.

In general, applicable large employers will need to be able to answer the following questions to properly complete the required reporting:

- What kind of offer of coverage was made to all employees who were full-time for at least one month during the year?
- What months were employees, non-employees, their spouses, and their dependents covered by an employer sponsored self-funded plan?
- Is the employer a part of an aggregated group of employers, and if yes, who are the other employers who are part of the group?

- How does the employer define full-time for ACA purposes (i.e. on a monthly basis or using the optional look-back measurement period method)?
 - Based on the choice of method, how many full-time employees does the employer have each month of the year?
- Is the employer taking advantage of any of the 4980H transition relief available (e.g. 50-99 FTE delay to 2016, non-calendar year plan relief, offer of coverage to more than 70% of full-time employees, etc.)?
- Is the employer using any of the IRS affordability safe harbors to set employer contribution rates?

Electronic Submission

Employers who file 250 or more information returns (including 1095s and W-2s) must file the returns electronically. However, the 250-or-more requirement applies separately to each type of return. For example, an employer who files 200 W-2s and 150 1095s would not be required to file either electronically. The IRS is developing *Pub. 5165, Affordable Care Act (ACA) Information Returns (AIR) Guide for Software Developers and Transmitters*. Pub. 5165 will outline the communication procedures, transmission formats, business rules, and validation procedures for returns filed electronically. As of the publication date of this guide, the IRS has not yet released Pub. 5165.

Resources

- An IRS ACA reporting information page with links to FAQs, regulations, and other resources: <http://www.irs.gov/Affordable-Care-Act/Employers/Information-Reporting-by-Applicable-Large-Employers>
- A short IRS guide to employer reporting rules: <http://www.irs.gov/pub/irs-pdf/p5196.pdf>
- 1095-C forms and instructions: <http://www.irs.gov/uac/About-Form-1095-C>
- 1094-C forms and instructions: <http://www.irs.gov/uac/About-Form-1094-C>
- 1095-B forms and instructions: <http://www.irs.gov/uac/About-Form-1095-B>
- 1094-B forms and instructions: <http://www.irs.gov/uac/About-Form-1094-B>