



September 4, 2015

What You Need to Know About Affordable Care Act (ACA) Tax Reporting

AFFORDABLE CARE ACT (ACA), TAX
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Starting in calendar year 2015, companies with 50 or more full-time equivalent employees (FTEs), classified as Applicable Large Employers (ALE), will be required to file Forms 1094-C and 1095-C. Self-insured businesses that have fewer than 50 FTEs have less of a burden, but will still need to fill out Forms 1094-B and 1095-B. All of these forms are defined in the Internal Revenue Code Sections 6055 and 6056. This article will help you to understand the requirements and prepare you for the work needed at year -end.

Form 1094-C reports information about the employer. Basic company information, information about related entities or aggregates, and employee counts by month are collected on this form. The 1095-C forms provide information on the individual. Month by month, the employer must identify if the employee was offered coverage, what type of coverage was offered, the amount of the lowest-cost employee-only coverage offered, and information explaining why an individual wasn't offered coverage. Only businesses with employer-sponsored self-insured coverage will be required to file Section III for covered individuals. This section contains information on all dependents covered on the plan, their social security numbers and months of coverage. The 1095-C is required for all full-time employees and any part-time employee insured under the employer health plan. Self-insured plans will also need to provide information on non-employees, such as retirees and those on COBRA coverage. These forms are to be furnished to the individuals and to the IRS.

The IRS will use these forms for several purposes. The first is to determine if the employer owes a penalty under the shared responsibility mandate. Questions will be answered on whether the business is an ALE, if minimal essential coverage was offered, and if the coverage was considered affordable. If the employer does not offer affordable health coverage that provides a minimum level of coverage to its full-time employees (and their dependents), the employer may be subject to a penalty. The other purpose of the forms is to update the IRS on coverage at the employee level. It will provide information to manage the individual mandate tax penalty for the uninsured or underinsured. It will also identify individuals who are eligible for subsidies to purchase insurance in the marketplace.

Similar to Form W-2, reporting to employees must be completed by January 31. This year, January 31 will fall on a Sunday, moving the furnishing deadline to Monday, February 1. Paper filings with the IRS are due by February 28. In 2016, this also falls on a Sunday, moving the deadline to Monday, February 29. For those filing electronically, the due date to the IRS is March 31. In 2016, March 31 will fall on a Thursday.

The list below includes tasks that can be completed now and on an ongoing basis to alleviate the amount of work required at year-end. We recommend that you start collecting this information now and moving forward:

ITEMS TO TRACK TO COMPLY WITH THE AFFORDABLE CARE ACT (ACA) MANDATES AND FILE FORMS 1094-C AND 1095-C

- Keep monthly counts of the total number of employees. Be consistent on how the monthly count is determined. For example, count active employees the first or last day of the month, or count the number of employees paid for a pay period that includes the 15th of the month.
- Keep monthly counts of full-time employees. For ACA purposes, those are employees averaging over 30 hours per week. Apply the same method as is used in the count of all employees and keep the method consistent.
- Track whether health coverage was offered to an individual for each month of the calendar year.
- Identify the lowest-cost employee-only coverage that was offered to each individual by month.
- Identify the reason why the employer is not responsible for coverage in a given month. Examples: An individual is not employed, is part-time, or is in a waiting period.
- Talk with your payroll software provider about options available for this reporting. If they do not offer reporting services, consider a third-party application to assist with this filing.
- *Discuss with your insurance broker to determine your filing status:* insured vs. uninsured. **Note:** Changes to this status mid-year will create complexities with reporting.

HOW TO COMPLY WITH AFFORDABLE CARE ACT MANDATES IF YOUR PLAN IS SELF-INSURED:

- Track months of coverage for non-employees, such as retirees and COBRA members.
- Is the coverage plan-sponsored or employer-sponsored? Whoever sponsors the plan, will be required to file Section III of the 1095-C related to covered individuals.
- Are the Social Security numbers for all covered individuals available for reporting or will this information need to be collected?

Note: There are fines associated with not providing this information. A reasonable effort needs to be done to collect the Social Security numbers. If these are still not available, a date of birth can be used instead, but only as a last resort.

There are penalties associated with noncompliance. Businesses will be assessed penalties for not filing a return with the IRS and for not providing correct statements to employees. These penalties are generally \$250 per return not filed and \$250 for each statement not furnished to the employee. By doing nothing,

maximum fines of up to \$6,000,000 could be assessed. For reporting year 2015, relief has been offered to employers that make a good-faith effort to comply with the requirements. Don't fret if you miss an individual or code a form slightly wrong. Just be sure to file and furnish the forms, and do not falsify information or make fraudulent claims.

As we get closer to year-end, we anticipate that the IRS will provide additional information and guidance. So stay tuned for more to come...

Employers will be responsible for complying with the new Affordable Care Act mandates. Whether you're an Applicable Large Employer or a self-insured business, Schneider Downs can help you prepare for the upcoming changes. [Contact us with questions](#) and [visit our Tax Advisory Services page](#) to learn about services we offer to public and private companies and not-for-profit organizations.

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