

IRS Releases Final Reporting Forms and Instructions

Issue Date: February 2015

The IRS has released final forms and instructions for the ACA employer reporting requirement. Applicable large employers (ALEs, generally those with 50 or more FTEs), and small employers with self-funded group health plans, are required to report certain plan information to the IRS and to provide statements to employees, beginning in 2016 for calendar year 2015 health plan and coverage data. The final forms and instructions are similar to the proposed forms previously released by the IRS, with a few minor modifications.

Background

ALEs must report to the IRS information about the health care coverage they offered to full-time employees. The IRS will use this information to administer the employer shared responsibility provisions and the premium tax credit. ALEs also must provide employees a statement (generally a 1095) that includes the same information provided to the IRS.

ALEs are required to report to the IRS, as well as to their full-time employees, regardless of whether the ALE actually offers health insurance coverage. Even if an ALE with at least 50 but fewer than 100 full-time equivalents (FTE) is eligible for the transition relief for 2015 from the employer shared responsibility provision, the ALE is still required to complete the information reporting for 2015.

All reporting is based on calendar year data regardless of the employer's plan year. ALE members must file Form 1095-C (*Employer-Provided Health Insurance Offer and Coverage*) and Form 1094-C (*Transmittal of Employer-Provided Health Insurance Offer and Coverage*) Information Returns with the IRS annually, no later than February 28 (March 31 if filed electronically). This is the same filing schedule applicable to other information returns commonly filed by employers, such as Forms W-2 and 1099.

Also, affected employers are required to furnish a statement to each full-time employee and each covered individual that includes the same information provided to the IRS, by January 31. In most cases the employer will provide employees with a copy of the Form 1095-C. Employers must file their first information returns with the IRS and furnish statements to their full-time employees and covered individuals in 2016 for the 2015 calendar year. Thus, the first statements to employees must be furnished by January 31, 2016, and the first information returns to the IRS must be filed by February 28, 2016 (March 31, 2016, if filed electronically).

Preparing for 2016

With the release of the final forms, employers can now begin to implement the procedures necessary to complete the first required reporting early in 2016. It is likely that most employers will use a third-party administrator, benefits administration system, payroll vendor, or other vendor to assist with the reporting process. In general, employers will need to know the following information to properly complete the reporting.

All ALEs – Including self-funded or fully-insured

- Contact name and phone number for the individual that will be responsible for fielding questions in regards to the reporting on behalf of the employer
- The employer's status as a single employer or a member of a controlled group/affiliated service group, and a list of other member employers in the controlled group (if applicable)
- 4980H transition relief and employer safe harbor information applicable to the employer
- Total employees for each month
- Number of full-time employees as defined by ACA for each month
- For each full-time employee:
 - Name, SSN, Address
 - Which months coverage was offered to the employee and/or dependents
 - Employee contribution required for lowest cost, minimum value, single coverage option for which that employee is eligible

All Self-funded Employers (including small employers who are not an ALE)

- Coverage-related information required for all covered individuals and dependents:
 - Name
 - SSN (in some cases DOB may be used if SSN is not available)
 - Whether individual had coverage in any employer sponsored Minimum Essential Coverage (MEC) for each calendar month

Typically, no single vendor or system currently contains all of the data necessary to complete the reporting. For example:

- Payroll providers will not generally know whether an employer is taking advantage of one of the IRS affordability safe harbors, or of an ACA transition relief rule.
- Employer's systems generally contain an employee's enrollment data, but may not currently keep track of the lowest plan cost option on an employee-by-employee basis.
- Employer's payroll and HRIS systems may currently identify employees as full-time based on criteria other than the applicable ACA definition of full-time. This data will also depend on whether an employer is using the optional IRS look-back method of defining full-time.

Summary

The biggest issue facing employers now is identifying where required data currently resides, and figuring out the best process for meeting the reporting requirements. Employers should not jump at the first offer from a vendor to assist with the reporting process. We have heard reports of payroll vendors "automatically" signing up and charging clients for reporting services, implying that they are ready to complete the reporting. While the payroll provider may be the right choice for some employers, the truth is that the vendor does not yet have much of the required information.

The final 1095 and 1094 reporting forms and instructions can be found at <http://www.irs.gov/pub/irs-pdf/i109495c.pdf>.

Please be aware that this does not represent legal or tax advice and is only Frenkel's interpretation of the laws, regulations and statutes. It is highly recommended that you seek the advice of your legal and tax professional as to the applicability of this information to your particular situation.