



## Third Time's a Charm? ACA Reporting Still Challenging

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### Quick Facts:

- Applicable Large Employers and self-funded group health plan sponsors need to ensure that Affordable Care Act (ACA) reporting is on time, complete and accurate to avoid IRS penalties.
- The due date for furnishing to individuals the 2017 Form 1095-C is March 2, 2018. Forms 1094 and 1095 are due to the Internal Revenue Service (IRS) by February 28, 2018 (if filing by paper) or April 2, 2018 (if filing electronically).
- Further extensions of time to furnish 2017 Forms 1095-C to individuals are not available because the IRS already extended the standard due date for all reporting entities.
- Employers continue to be challenged by some commonly misunderstood elements of ACA reporting.
- Typical troublesome areas include reporting of COBRA coverage, coverage waivers, and waiting periods.

Applicable Large Employers and self-funded group health plan sponsors should be knee-deep in their third - Affordable Care Act (ACA) reporting cycle. Many employers have worked out the kinks of their reporting systems and are on track to complete required forms with little turmoil. However, many still find the process confusing and often subject to unclear or conflicting guidance.

Now that the Internal Revenue Service (IRS) has started to issue shared responsibility penalty assessments against employers, it is critical to make sure ACA reporting is timely, complete and accurate. As EPIC works with clients to issue required individual employee statements and file Forms 1094 and 1095 with the IRS, we continue to see a number of items that routinely cause employers trouble. The following questions and answers should help employers address some commonly misunderstood elements of ACA reporting and avoid simple errors that could potentially lead to large penalties down the road.

### 1. Terminated Employees

*Question:* Coverage under our employer-sponsored health insurance plan terminates at the end of the month during which an employee severs employment. How should I report our offer of coverage in Form 1095-C, Part II if a covered employee severs employment mid-month?

*Answer:* Report that you made an offer of coverage and enter the code applicable to the type of coverage offered (e.g., code 1A, 1E, etc.) on Form 1095-C, Part II, Line 14. You will report code 2C in Part II, Line 16.

### 2. COBRA Participants

*Question:* We sponsor a self-insured health plan, and several former employees are enrolled through COBRA. How should we report in these instances?

*Answer:* Reporting in these situations depends on whether the former employee elected COBRA in the year of reporting or in a prior year.

If COBRA coverage began prior to the reporting year, report code 1G in the “all 12 months” column of Form 1095-C, Part II, Line 14. Complete Part III and mark the months in which the former employee and related dependents were covered under your self-insured health plan. Alternatively, you may complete a Form 1095-B in lieu of the 1095-C.

When COBRA coverage begins in the reporting year, do not report an offer of coverage during the months in which the former employee was enrolled in COBRA. In these instances, enter code 1H on Form 1095-C, Part II, Line 14 and code 2A on Line 16 for each full month of COBRA coverage. For the month in which the employee terminates employment, enter code 2B on Line 16 if coverage terminated immediately, or code 2C if coverage continued through the end of the month. Complete Part III and mark the months that the former employee and their dependents were covered under a self-insured health plan.

Note the above examples illustrate reporting options for terminated employees who elected COBRA coverage. Different rules apply to active employees (e.g., employees who lost coverage due to a reduction in hours, etc.) that elected COBRA coverage. For the rules applicable to these individuals, review the IRS Instructions.

### **3. Waivers of Coverage**

*Question:* We offer our health plan to all employees, but some waive coverage. How do we report coverage offers for these individuals?

*Answer:* There is no specific code that applies to individuals who waive coverage. Report the applicable type of coverage offered on Form 1095-C, Part II, Line 14 and complete Line 15 if necessary. On Line 16, report any other code applicable to the circumstances (e.g., an affordability safe harbor code) or leave the field blank.

### **4. Waiting Periods**

*Question:* How do we report for full-time employees that were in a waiting period and not offered coverage in the last months of 2017?

*Answer:* A Form 1095-C is not required for an employee who was in a waiting period (called a “Limited Assessment Period” under the ACA) for all months of employment during the year. For example, if an employee was hired November 15, 2017, and was in a waiting period during November and December, Form 1095-C is not required for that employee. However, for the months in which the employee was your employee, include the individual in the total employee count reported on Form 1094-C, Part III.

If the employee enrolled in coverage under a self-insured plan during the Limited Non-Assessment Period, you must complete Part III to report coverage information for the coverage period.

If the employee was in a waiting period during certain months and offered coverage for subsequent months, use code 2D to report the Limited Non-Assessment Period. For any months the employee was not your employee, use code 2A for the applicable month.

### **Extensions of Time to Furnish Form 1095-C to Individuals**

*Question:* Can I request an extension to furnish individual statements that are currently due March 2, 2018?

*Answer:* According to the IRS, no. Because the IRS extended the standard due date for the furnishing of 2017 individual statements from January 31, 2018 to March 2, 2018, no further extensions will be granted.

## **Good Faith Transition Relief from Penalties**

*Question:* What happens if my 2017 Forms 1094-C or 1095-C contain errors but are furnished and filed by the deadlines?

*Answer:* The IRS will provide employers that demonstrate good faith efforts to comply with their 2017 reporting obligations relief from ACA reporting penalties. Relief applies to incorrect or incomplete information on employer reports, missing or inaccurate taxpayer identification numbers, dates of birth, as well as other required information.

No relief applies to employers that fail to make a good faith effort to comply with the regulations or fail to file an information return or furnish a statement by the due dates (including the extended due date for individual statements). The IRS determines good faith by deciding whether an employer made reasonable efforts to prepare for reporting the required information and furnishing it to employees and covered individuals (e.g., gathering and transmitting the necessary data to a third party for submission or testing its ability to transmit information to the IRS).

## **Correcting Returns**

*Question:* I've discovered errors on some of my 2017 Forms 1094-C and 1095-C which I've already furnished and filed. How can I correct them?

*Answer:* Corrected forms should be filed as soon as possible after an error is discovered. The [IRS Instructions](#) (starting on page four) provide specific guidance on correcting forms, including examples of errors and step-by-step instructions for filing corrected returns.

## **ACA Reporting Resources**

[2017 IRS Instructions for Forms 1094-C and Form 1095-C](#)

[Questions and Answers about Information Reporting by Employers on Forms 1094-C and Form 1095-C](#)

[Frenkel Compliance Center](#)

*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.*