



# ACA OVERVIEW

Provided by EBC, Inc.

## Employer Reporting of Health Coverage —Code Sections 6055 & 6056

The Affordable Care Act (ACA) created reporting requirements under Internal Revenue Code (Code) Sections 6055 and 6056. Under these rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) to their employees.

This ACA Overview describes the Section 6055 and Section 6056 reporting requirements under the ACA. Please contact EBC, Inc. for more information on Section 6055 and Section 6056 reporting.

### LINKS AND RESOURCES

- On March 5, 2014, the Internal Revenue Service (IRS) released two final rules on [Section 6055](#) and [Section 6056](#), which apply for calendar years beginning after **Dec. 31, 2014**. This date reflects a one-year delay provided in [IRS Notice 2013-45](#).
- The IRS also released Q&As on [Section 6055](#) and on [Section 6056](#), as well as a separate set of [Q&As on Forms 1094-C and 1095-C](#).
- Forms [1094-B](#) and [1095-B](#) for 2016 (and related [instructions](#)) are available for use to report under Section 6055 for 2016.
- Forms [1094-C](#) and [1095-C](#) for 2016 (and related [instructions](#)) are available for use to report under Section 6056 for 2016.
- [Notice 2015-68](#) and additional [proposed rules](#) provide additional guidance for purposes of Section 6055 reporting.

### HIGHLIGHTS

#### REPORTING ENTITIES

- Section 6055 applies to health insurance issuers, self-insured plan sponsors, government departments or agencies that provide coverage under government-sponsored programs and other providers of minimum essential coverage.
- Section 6056 applies to applicable large employers (ALEs), which are the employers subject to the ACA's employer shared responsibility rules (those with at least 50 full-time employees, including full-time equivalent employees).

#### PURPOSE OF REPORTING

- This reporting is intended to promote transparency with respect to health plan coverage and costs.
- It will also provide the government with information to administer other ACA mandates, such as the employer shared responsibility penalty and the individual mandate.

This ACA Overview is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

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## *New Changes to Form 1094-C and 1095-C for ACA Reporting in 2017*

The IRS recently released draft 1094 and 1095 instructions and forms for ACA reporting in 2017. Typically, the IRS will try to wait to release any drafts until they feel there will likely be no other changes to the form, although more changes are always possible. For the most part, you will recognize little changes from last year to this. There are, however, a few important changes to note on Form 1094-C and Form 1095-C. You may download copies of the reporting forms and instructions below:

[Draft 1094-C instructions and form for 2017](#)

[Draft 1095-C instructions and form for 2017](#)

### New indicator codes for Line 14 of Form 1095-C

The new codes on Form 1095-C reflect conditional offers of coverage made to an employee's spouse. For 2015 reporting, all offers of coverage to an employee's spouse had to be reported in the same way, whether the offer was conditional or not.

*1J. Minimum essential coverage providing minimum value offered to you; minimum essential coverage conditionally offered to your spouse; and minimum essential coverage NOT offered to your dependent (s).*

*1K. Minimum essential coverage providing minimum value offered to you; minimum essential coverage conditionally offered to your spouse; and minimum essential coverage offered to your dependent(s)*

What makes an offer of coverage conditional? An offer is considered conditional if it is subject to one or more reasonable conditions. For example, if an employee's spouse must certify ineligibility for health coverage through his or her own employer, the offer of coverage is conditional.

### New Coding Instructions for COBRA Coverage

There has been much confusion over offers of coverage for terminated and retired employees. Hopefully, the revised instructions will help clear up some things in the matter. To code offers of [COBRA coverage](#) use 1H (Line 14) and 2A (Line 16) whether or not any elections for COBRA coverage were made. This coding also applies for non-COBRA post-employment coverage as in the case of a retiring employee. If the retired employee was a full-time employee for at least one month of the year, employers should use this coding sequence.

### Changes to Transitional Relief That is No Longer Applicable

The IRS removed the Qualifying Offer Transitional Relief box on Line 22, labeling option B as 'Reserved' on 1094-C and Line 14 code 1I on 1095-C. This relief was applicable to those reporting on the 2015 calendar year for non-calendar year plans that began in 2014. Section 4980H Transition Relief is still relevant for non-calendar year plans that began in 2015 and extend into 2016.

## No More 'Good Faith' Compliance Standard

Under Code sections 6055 and 6056, all ALEs must use forms 1094-C and 1095-C to report required information about whether or not the ALE member offered affordable minimum essential health coverage (MEC) and enrollment in minimum essential health coverage for eligible employees.

In the past, the IRS has extended some grace to those who have demonstrated a 'good faith effort' to furnish and file forms 1094-C and 1095-C correctly. In 2017, employers should expect to face [penalties for forms completed incorrectly](#) or filed late. Regardless of an employer's effort, the IRS will waive reporting penalties only upon reasonable cause and not for 'good faith' efforts.

## **ACA Reporting Deadlines 2017**



### **FORM 1095-C**

To employees: ~~Tuesday, January 31, 2017~~ Thursday, March 2, 2017.

*\*UPDATE\* The [IRS released a notice](#) extending the deadline to furnish Form 1095-C to employees. The deadline is now March 2, 2017 for ACA reporting on 2016 only. Standard deadlines will commence the following year.*

Employers are responsible for furnishing their employees with a Form 1095-C by Thursday, March 2, 2017. Employers are still responsible for filing copies of Form 1095-C with the IRS on Tuesday, February 28, 2017 if filing by paper or Friday, March 31, 2017, if filing electronically (same as Form 1094-C). Form 1095-C helps employees complete their individual tax returns by providing important information regarding their health coverage for the previous calendar year. On Line 61 of individual tax returns, employees must show whether they or their family members had minimum essential coverage.

Employers should report the following on Form 1095-C:

- Proof of Minimum Essential Coverage (MEC)
- Employee ID number
- Social security numbers of the employee and his/her dependants (not spouse).

## *FORM 1094-C*

To IRS via Paper: Tuesday, February 28, 2017

To IRS Electronically: Friday, March 31, 2017

Think of Form 1094-C as the proof that Applicable Large Employers (ALEs) did what they should according to the IRS and the Employer Shared Responsibility Mandate.

Under Code sections 6055 and 6056, ALEs must use Form 1094-C to report required information about whether or not the employer offered affordable minimum essential health coverage and enrollment in minimum essential health coverage for eligible employees. Form 1094-C transmits forms 1095-C to the IRS.

Some employers have the option to file their ACA reporting by paper or electronically. However, any ALE filing more than 250 of any type of form **MUST** file [ACA information returns electronically](#). If you will be filing less than 250 forms, you may file by paper, though the IRS encourages electronic filing. Keep in mind the reporting deadline to file by paper comes one month before the electronic reporting deadline.