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EMPLOYER REPORTING  
**GUIDE**



Provided by  
 [B\_Officialname]

# TABLE OF CONTENTS

<b>CHAPTER 1: OVERVIEW</b> .....	<b>5</b>
<b>OVERVIEW OF THIS EMPLOYER GUIDE</b> .....	<b>5</b>
<b>BACKGROUND</b> .....	<b>5</b>
<b>CHAPTER 2: RESOURCES</b> .....	<b>7</b>
<b>CHAPTER 3: WHO MUST REPORT</b> .....	<b>8</b>
<b>APPLICABLE LARGE EMPLOYERS</b> .....	<b>8</b>
<b>DETERMINING ALE STATUS</b> .....	<b>9</b>
<i>Aggregated ALE Groups</i> .....	<i>10</i>
<i>Seasonal Worker Exception</i> .....	<i>10</i>
<i>New Employers</i> .....	<i>10</i>
<b>DESIGNATING A THIRD PARTY TO FILE ON BEHALF OF AN ALE</b> .....	<b>11</b>
<i>Reporting for Union Employees</i> .....	<i>11</i>
<b>CHAPTER 4: FORMS</b> .....	<b>12</b>
<b>REQUIRED FORMS</b> .....	<b>12</b>
<i>Filing and Furnishing the Required Forms</i> .....	<i>13</i>
<i>Recordkeeping</i> .....	<i>13</i>
<b>2016 FORMS</b> .....	<b>14</b>
<i>Form 1095-C for 2016</i> .....	<i>14</i>
<i>Form 1094-C for 2016</i> .....	<i>15</i>
<b>CHAPTER 5: DEADLINES</b> .....	<b>16</b>
<b>DEADLINES FOR 2016 REPORTING</b> .....	<b>16</b>
<b>DEADLINES FOR 2017 AND LATER YEARS</b> .....	<b>17</b>
<i>General Deadline Extensions</i> .....	<i>17</i>
<b>CHAPTER 6: COMPLETING FORM 1095-C</b> .....	<b>18</b>
<b>COMPLETE A FORM 1095-C FOR EACH FULL-TIME EMPLOYEE</b> .....	<b>18</b>
<b>PART I: INFORMATION ABOUT THE EMPLOYEE AND THE EMPLOYER</b> .....	<b>18</b>
<b>PART II: INFORMATION ABOUT THE OFFER OF COVERAGE</b> .....	<b>19</b>
<i>Offer of Coverage (Line 14)</i> .....	<i>19</i>
<i>Cost of Coverage (Line 15)</i> .....	<i>23</i>

Section 4980H Safe Harbor (Line 16) .....	23
Limited Non-assessment Periods .....	26
Multiemployer Interim Rule Relief .....	27
<b>CHAPTER 7: COMPLETING FORM 1094-C .....</b>	<b>28</b>
<b>COMPLETE ONE FORM 1094-C AS THE AUTHORITATIVE TRANSMITTAL .....</b>	<b>28</b>
<b>PART I: APPLICABLE LARGE EMPLOYER MEMBER (ALE MEMBER) .....</b>	<b>28</b>
Information about the Employer (Lines 1-18) .....	28
Authoritative Transmittal Designation (Line 19) .....	29
<b>PART II: ALE MEMBER INFORMATION .....</b>	<b>29</b>
Information about the Employer and Returns (Lines 20-21) .....	29
Certifications of Eligibility for Alternative Reporting Methods and Transition Relief (Line 22) .....	29
Signature Line .....	30
<b>PART III: ALE MEMBER INFORMATION—MONTHLY (LINES 23-35) .....</b>	<b>30</b>
Column (a)—Minimum Essential Coverage (MEC) Indicator .....	31
Column (b)—Full-time Employee Count .....	31
Column (c)—Total Employee Count .....	31
Column (d)—Aggregated Group Indicator .....	32
Column (e)—Section 4980H Transition Relief Indicator .....	32
<b>PART IV: OTHER ALE MEMBERS OF AGGREGATED ALE GROUP .....</b>	<b>33</b>
<b>CHAPTER 8: REPORTING METHODS .....</b>	<b>34</b>
<b>OVERVIEW OF REPORTING METHODS .....</b>	<b>34</b>
<b>GENERAL REPORTING METHOD .....</b>	<b>35</b>
<b>ALTERNATIVE REPORTING METHODS .....</b>	<b>36</b>
Qualifying Offer Method .....	36
98 Percent Offer Method .....	38
<b>CHAPTER 9: HOW TO FILE AND FURNISH .....</b>	<b>39</b>
<b>MANNER OF FILING AND FURNISHING SECTION 6056 FORMS .....</b>	<b>39</b>
<b>HOW TO FURNISH EMPLOYEE STATEMENTS .....</b>	<b>39</b>
Paper Furnishing .....	39
Electronic Furnishing .....	40
<b>HOW TO FILE RETURNS WITH THE IRS .....</b>	<b>40</b>



<i>Electronic Reporting Requirement</i> .....	40
<i>Waiver of the Electronic Reporting Requirement</i> .....	41
<i>Paper Filing</i> .....	41
<i>Corrected Forms</i> .....	41
<b>CHAPTER 10: PENALTIES</b> .....	<b>42</b>
<b>PENALTIES FOR SECTION 6056 REPORTING VIOLATIONS</b> .....	<b>42</b>
<i>Short-term Relief from Penalties for 2016 Reporting Failures</i> .....	43

# CHAPTER 1: OVERVIEW

## OVERVIEW OF THIS EMPLOYER GUIDE

This guide is intended to provide information for employers on the Internal Revenue Code (Code) Section 6056 reporting requirements.

Topics covered in this guide include:

- Applicable large employers (ALEs) that are responsible for reporting under Section 6056
- The forms that will be used to accomplish the Section 6056 reporting
- The information an ALE must provide to its full-time employees and to the IRS regarding the health care coverage it offered (or did not offer) to full-time employees
- The deadlines for providing information to full-time employees and to the IRS
- How information must be provided to full-time employees and to the IRS
- The penalties an ALE may face if it fails to satisfy the Section 6056 reporting requirements

The information in this guide is based on current guidance available from the Internal Revenue Service (IRS). Note that specific requirements under Code Section 6056 may change from year to year. We will update this guide with new information as it becomes available; **please contact [B\_Officialname] if you have questions about updates.**

## BACKGROUND

The Affordable Care Act (ACA) created reporting requirements under Code Section 6056. These rules require ALEs to provide information to the IRS and to their full-time employees regarding whether they offer health plan coverage to their full-time employees. This information will be reported using Forms 1094-C and 1095-C.

**ALE:** an employer that employed, on average, at least 50 full-time and full-time equivalent (FTE) employees during the preceding calendar year

## SECTION 6056

# EMPLOYER REPORTING GUIDE

The following table provides an overview of an ALE's reporting responsibilities under Section 6056.

<b>FURNISH</b> to each full-time employee	<ul style="list-style-type: none"><li>• An employee statement (<b>Form 1095-C</b>)</li></ul>
<b>FILE</b> with the IRS	<ul style="list-style-type: none"><li>• One transmittal form (<b>Form 1094-C</b>)</li><li>• A separate employee statement (<b>Form 1095-C</b>) for each full-time employee</li></ul>

All ALEs are required to report under Section 6056 for any year in which they have full-time employees. ALEs include private employers, government entities (including federal, state, local and Indian tribal governments) and tax-exempt entities. This means that all ALEs must report information under Section 6056 for all of their full-time employees, regardless of whether they offered coverage to any employees during the calendar year.

The information reported under Section 6056 is used to determine whether an ALE owes an employer shared responsibility penalty under Code Section 4980H. It is also used to determine whether an employee is eligible for a premium tax credit to help pay for health insurance coverage provided through the Marketplace.

### Section 4980H: The Employer Shared Responsibility (“Pay or Play”) Rules

ALEs must offer affordable, minimum value health coverage to their full-time employees (and dependents) or face a penalty. This penalty only applies if a full-time employee receives a premium tax credit to help pay for Marketplace coverage. Employees are not eligible for a premium tax credit if their employer offers them affordable, minimum value health coverage.

The ACA also created reporting requirements under Code Section 6055, which apply to entities that provide minimum essential coverage to individuals, such as health insurance issuers and sponsors of self-insured health plans. ALEs that sponsor self-insured health plans are required to report under both Section 6056 and Section 6055.

This guide focuses on employer reporting requirements under Section 6056 only, regarding offers of coverage made by ALEs that sponsor fully insured health plans (or provide no coverage at all). Please contact [B\_Officialname] for information on reporting for ALEs that sponsor self-insured plans.

# CHAPTER 2: RESOURCES

The IRS provides reference materials and guidance regarding an ALE's Section 6056 reporting requirements and the employer shared responsibility rules, which may be found using the links below.

## FORMS AND INSTRUCTIONS

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- [Form 1094-C](#), *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return*
- [Form 1095-C](#), *Employer-Provided Health Insurance Offer and Coverage*
- [Instructions](#) for Forms 1094-C and 1095-C
- [Form 8809](#) for Section 6056 filing extensions

## PUBLICATIONS

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- [Publication 5223](#): Substitute Forms 1094-C and 1095-C
- [Publication 5196](#): ALE Reporting Requirements

## QUESTIONS AND ANSWERS

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- [Q&As](#) on Section 6056 Reporting
- [Q&As](#) on Employer Reporting using Form 1094-C and Form 1095-C
- [Q&As](#) on the Employer Shared Responsibility Rules

## REGULATIONS

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- [Final regulations](#) on Section 6056 Reporting
- [Final regulations](#) on the Employer Shared Responsibility Rules

# CHAPTER 3: WHO MUST REPORT

## APPLICABLE LARGE EMPLOYERS

The Section 6056 reporting requirements apply to “applicable large employers” (ALEs). These are the employers that are subject to the ACA’s employer shared responsibility rules under Code Section 4980H.

An employer is an ALE for a calendar year if it employed an average of at least **50 full-time employees**, including full-time equivalent employees (FTEs), during the previous calendar year. The process for determining whether an employer is an ALE is discussed in more detail later in this chapter.

The Section 6056 reporting requirements apply to **all ALEs**, regardless of whether the ALE offers coverage to any of its full-time employees, and regardless of whether the ALE is a tax-exempt or government entity (including federal, state, local and Indian tribal governments).

However, only ALEs that have full-time employees during a year are required to report under Section 6056 for that year.

**If an ALE has a non-calendar year plan, for the months in 2016 that fall within the ALE’s 2015 plan year, ALEs that had between 50 and 99 full-time and FTE employees in 2014 (and meet certain other requirements) will not be subject to employer shared responsibility penalties.**

**However, these ALEs must still report under Section 6056 for 2015 and 2016.**

## DETERMINING ALE STATUS

Whether a particular employer is considered an ALE for a calendar year is determined according to a specific formula. This formula involves counting each employee's hours of service over the entire previous calendar year. An **hour of service** includes each hour for which an employee was paid or entitled to payment (even if it was for paid time off) from the employer. The steps for determining ALE status are outlined below.

1

### FULL-TIME EMPLOYEE COUNT

Determine the number of full-time employees the employer employed in each calendar month of the previous year.

- A **full-time employee** for a calendar month is an individual who had, on average, at least 30 hours of service per week (or at least 130 hours total) during the month.

2

### FULL-TIME EQUIVALENT (FTE) EMPLOYEE COUNT

Determine the number of FTEs the employer employed in each calendar month of the previous year.

- Combine the total hours of service of all part-time employees (only including up to 120 hours per employee) and divide the total by 120.
- The result may be rounded to the nearest 100th.

3

### ADD FULL-TIME AND FTE COUNTS

Add the number of full-time employees to the number of FTEs for each calendar month.

4

### ADD MONTHLY TOTALS

Add all monthly totals of full-time and FTE employees together to find the total number of full-time and FTE employees for the calendar year.

5

### DIVIDE ANNUAL EMPLOYEE COUNT BY 12

Divide the total number of full-time and FTE employees for the calendar year by 12 to find the average number of full-time and FTE employees for the calendar year.

### *Aggregated ALE Groups*

## SECTION 6056

# EMPLOYER REPORTING GUIDE

Related employers are treated as a single employer for determining employer size if they meet certain IRS criteria. Specifically, all entities that are treated as a single employer under Code Sections 414(b), (c), (m) or (o) are combined and treated as a single employer for purposes of determining whether the collective entity has at least 50 full-time (and FTE) employees. Together, these related entities will be an Aggregated ALE Group.

When the combined total of all full-time (and FTE) employees of all employers within an aggregated group meets the threshold, every company in the group is an ALE that is subject to the employer shared responsibility rules, as well as the related Section 6056 reporting requirements. This is the case even if each company in the group did not have enough employees to be an ALE on its own.

Each separate company within an Aggregated ALE Group is called an **ALE Member**.

Each ALE Member is responsible for its own Section 6056 reporting. This means that each ALE Member must separately file returns with the IRS and furnish a statement to each of its own full-time employees, using its own employer identification number (EIN).

### *Seasonal Worker Exception*

An employer (or group of related employers) may not be an ALE for a calendar year if:

- Its workforce exceeded 50 full-time (and FTE) employees for only 120 days or fewer during the preceding calendar year; and
- The employees in excess of 50 who were employed during that time were seasonal workers.

Employers may apply either a period of **four calendar months** or **120 days** to determine if it meets the seasonal worker exception. These time periods do **not** have to be consecutive.

### *New Employers*

If an employer did not exist in the previous year, it will be an ALE for the current year if, at the time it came into existence, it reasonably expected that it would employ an average of at least 50 full-time (and FTE) employees during the current year.

**Seasonal workers** are those who are only employed for a portion of the year due to the nature of the employment, including retail workers who are employed exclusively during holiday seasons.

## DESIGNATING A THIRD PARTY TO FILE ON BEHALF OF AN ALE

An ALE can use a third party to facilitate or complete its Section 6056 reporting obligations. However, this does not transfer the ALE's potential liability for penalties under the employer shared responsibility rules, nor the potential liability for penalties for failure to properly report under Section 6056 (except in the case of a related entity properly designated by a governmental unit). Penalties for failures to report under Section 6056 are further discussed in Chapter 10 of this Guide.

If a person who prepares the returns or statements required under Section 6056 is a tax return preparer, that person will be subject to the requirements generally applicable to tax return preparers.

Using a third party to furnish statements to full-time employees or to file returns with the IRS does **not** transfer an ALE's potential liability for penalties.

An ALE that is a governmental unit or agency may report on its own, or it may designate (in writing) another person to report on its behalf, as long as the designation meets certain criteria. The designated person—called a Designated Government Entity (DGE)—must be a person or persons that are part of (or related to) the governmental unit ALE. In this case, the DGE is responsible for providing the information and is liable for penalties for failure to comply.

### *Reporting for Union Employees*

In general, each ALE is required to report information about its own full-time employees. In most cases, this rule applies regardless of whether employees are union or non-union employees. The IRS has approved an optional reporting approach for ALEs that have full-time employees who are eligible to participate in a **multiemployer plan** under a collective bargaining agreement or other similar arrangement. Under this option:

- The multiemployer plan administrator would report for the full-time employees who are eligible for the multiemployer plan (generally, the union employees).
- The ALE would file returns related only to the full-time employees who are not eligible for the multiemployer plan.

However, this approach may not be available to most ALEs because multiemployer plan administrators may not be willing or able to file returns, due to existing fiduciary requirements. In this case, the ALE must report information regarding both union and non-union employees. There are special rules for ALEs that contribute to a multiemployer plan on behalf of any employees, as well as special instructions for reporting those employees under Section 6056 (discussed more in Chapter 6 of this guide).

In addition, Section 6056 applies the reporting and furnishing requirements only to the ALE, and not to the relevant plan in which the employee participates. Therefore, although multiemployer plan administrators may prepare and submit returns for certain employees of an ALE, the ALE would remain the responsible person under Section 6056 with respect to all of its full-time employees, and would be subject to any potential penalties for failure to properly file returns or furnish statements.

# CHAPTER 4: FORMS

## REQUIRED FORMS

ALEs will use **Forms 1094-C** and **1095-C** to meet their reporting obligations under Section 6056.

FORM	PURPOSE
<b>Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return</b>	Reports summary information about the ALE (or ALE member) and transmits Forms 1095-C to the IRS
<b>Form 1095-C: Employer-Provided Health Insurance Offer and Coverage</b>	Reports information about the offer of coverage made to each full-time employee

In addition, Forms 1094-C and 1095-C are used to determine whether an employer owes an employer shared responsibility penalty under Section 4980H. Form 1095-C is also used in determining an employee's eligibility for a premium tax credit to help pay for health insurance coverage obtained through a Marketplace.

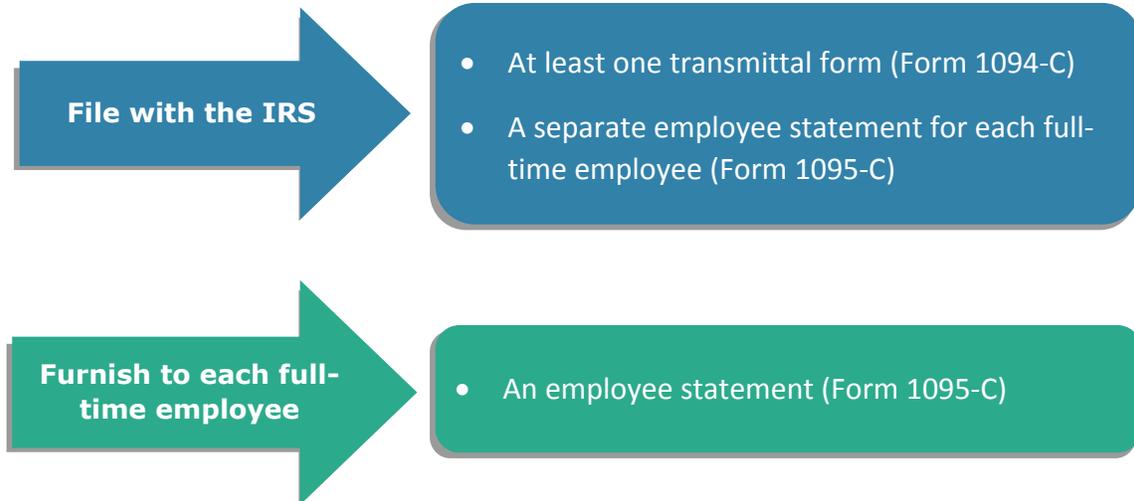
Substitute forms that comply with applicable requirements may be used, as long as the required information is included. Specific requirements for substitute forms are outlined in [IRS Publication 5223](#). Substitute forms must conform to these requirements to be acceptable for filing with the IRS. Reporting entities may not request special consideration.

The IRS will **not** accept substitute forms that do not comply with the guidelines found in Publication 5223.

## SECTION 6056 EMPLOYER REPORTING GUIDE

### *Filing and Furnishing the Required Forms*

Under Section 6056, each ALE must file information returns with the IRS and furnish employee statements to its full-time employees.



Specific deadlines apply for furnishing statements to full-time employees and for filing returns with the IRS. For purposes of reporting information for the 2016 calendar year only, the furnishing deadline has been extended in 2017. However, the deadline for filing with the IRS was not extended in 2017. See Chapter 5 of this guide for more information on applicable deadlines.

### *Recordkeeping*

ALEs should generally keep copies of information returns filed with the IRS (or have the ability to reconstruct the data) for at least three years from the due date of the returns.

# SECTION 6056 EMPLOYER REPORTING GUIDE

## 2016 FORMS

The following illustrations provide an overview of the required forms and the filing and furnishing responsibilities for ALEs related to 2016 offers of coverage.

### Form 1095-C for 2016

## FURNISH TO FULL-TIME EMPLOYEES



MARCH 2, 2017

ALEs must furnish **Forms 1095-C (Employee Statements)**

Complete a **Form 1095-C (Parts I and II)** for each person who was a full-time employee for any month in 2016

Furnish **each full-time employee** with a copy of the form with his or her own information

*This information applies to ALEs that sponsor insured plans or do not provide coverage. ALEs that sponsor self-insured plans should contact [B\_Officialname] for information on combined reporting under Sections 6056 and 6055.*

# SECTION 6056 EMPLOYER REPORTING GUIDE

Form 1094-C for 2016

## FILE WITH THE IRS



**FEB. 28, 2017**  
(if filing on paper)

**MARCH 31, 2017**  
(if filing electronically)



ALEs must **file all of the following with the IRS:**

Form 1095-C: Employee-Provided Health Insurance Offer and Coverage. This form reports information about the health insurance offer and coverage provided by an employer for 2016. It includes sections for Employee information, Employer information, and a table for Covered Individuals with monthly coverage status indicators.

Completed **Forms 1095-C**

One for each person who was a full-time employee for any month 2016

Form 1094-C: Transmittal of Employee-Provided Health Insurance Offer and Coverage Information Returns. This form is used to transmit the 1095-C forms to the IRS. It includes sections for Employer information, Transmittal information, and a section for Official Use Only. Line 19 is highlighted with a red circle and a checkmark.

One completed **Form 1094-C**

19 Is this the authoritative transmittal for this ALE Member? . . . .

With the box on **Line 19** checked to indicate it is the **Authoritative Transmittal**

*ALEs may file more than one Form 1094-C, but only one will be the Authoritative Transmittal.*

# CHAPTER 5: DEADLINES

Under Section 6056, the required forms must be furnished to full-time employees and filed with the IRS by certain dates. Forms are due in the year after the calendar year to which the forms relate. The reporting deadlines will generally be consistent from year to year. However, the furnishing deadline has been extended for 2016 reporting. The due date for filing with the IRS for 2016 was not extended.

## DEADLINES FOR 2016 REPORTING

The IRS extended the 2017 due date for furnishing forms under Section 6056, related to information for 2016 reporting. This deadline extension provides an additional 30 days for furnishing the 2016 Form 1095-C, extending the due date from Jan. 31, 2017, to March 2, 2017.

However, the IRS did not extend the 2017 due date for filing forms with the IRS under Section 6056, related to information for 2016 reporting. Therefore, the due date for filing Forms 1094-C and 1095-C with the IRS remains Feb. 28, 2017 (March 31, 2017, if filing electronically).

The deadlines are outlined in the chart below.

2016 Reporting Requirement	2017 Deadline
Furnish a copy of Form 1095-C to full-time employees	March 2, 2017
File Forms 1094-C and 1095-C with the IRS	Feb. 28, 2017 (March 31, 2017, if filed electronically)

The extended furnishing deadline applies automatically for all reporting entities. Filers are not required to submit any request or other documentation to the IRS in order to take advantage of the extended furnishing deadline for 2016 information reporting.

**Despite the delay, the IRS encourages ALEs to furnish 2016 statements to individuals as soon as they are able.**

## SECTION 6056 EMPLOYER REPORTING GUIDE

### DEADLINES FOR 2017 AND LATER YEARS

The IRS does not anticipate extending the due dates for furnishing statements to individuals or filing with the IRS under Section 6056 to reporting for 2017. Therefore, the following deadlines will generally apply for reporting information for 2017 and later calendar years:

Reporting Requirement	Deadline
Furnish a copy of Form 1095-C to full-time employees	Jan. 31 of the following year
File Forms 1094-C and 1095-C with the IRS	Feb. 28 of the following year (March 31, if filed electronically)

#### General Deadline Extensions

If any reporting deadline falls on a Saturday, Sunday or holiday, the deadline will be extended to the next business day.

ALEs may receive an **automatic 30-day extension of time to file** the required information with the IRS by completing and filing [Form 8809](#), *Application for Extension of Time To File Information Returns*, **by the due date of the returns**.

No signature or explanation is required for this automatic extension. Under certain hardship conditions, employers may also apply for an additional 30-day extension. See the instructions for Form 8809 for more information.

For 2017 and later years, ALEs may also request an extension of time to furnish the statements (Forms 1095-C) to recipients by sending a letter to the IRS. The letter must include:

- The filer's name, TIN and address;
- The type of return;
- A statement that the extension request is for providing statements to recipients;
- A reason for the delay; and
- The signature of the filer or authorized agent.

The extended furnishing deadline for 2016 applies to all ALEs automatically, and will **not** be extended any further for any ALE.

A request must be postmarked **by the date on which statements are due to recipients**. If the request for an extension is approved, employers will generally be granted a maximum of 30 extra days to furnish the statements.

# CHAPTER 6: COMPLETING FORM 1095-C

Under Section 6056, an ALE must report specific information about each of its full-time employees, regarding the health coverage the ALE offered to each full-time employee in each month of the year (if any). This requirement applies to all ALEs, regardless of whether they offered health coverage to all, none or some of their full-time employees.

All ALEs may use the **general method of reporting** to report the information required under Section 6056. Two **alternative methods of reporting** are also available for ALEs that meet certain eligibility requirements. This chapter primarily discusses reporting under the general method of reporting. More information about the alternative methods of reporting is available in Chapter 8 of this guide.

## COMPLETE A FORM 1095-C FOR EACH FULL-TIME EMPLOYEE

Every ALE is required to report information about each of its full-time employees. Even if an ALE does not offer coverage to any full-time employees, it must still file returns with the IRS and furnish statements to each full-time employee under Section 6056.

An ALE is **not** required to file a Form 1095-C for an individual who was:

- Not a full-time employee for any month of the calendar year; or
- In a Limited Non-assessment Period for the entire calendar year.

For example, an ALE would not complete a Form 1095-C for an employee who was hired mid-year and then was in an initial measurement period that continued into the following year.

## PART I: INFORMATION ABOUT THE EMPLOYEE AND THE EMPLOYER

Each Form 1095-C must include specific information about the ALE and the employee to which the form relates. This information is reported in Part I of each form. There are separate sections for information regarding the employee and the ALE.

- **Employee:** Report the employee's name, Social Security number (SSN) and address (Lines 1-6).
- **Applicable Large Employer Member (Employer):** Report the employer's name, employer identification number (EIN), address and telephone number (Lines 7-13).

## PART II: INFORMATION ABOUT THE OFFER OF COVERAGE

In Part II of the Form 1095-C, the ALE will indicate whether an offer of minimum essential coverage (MEC) was made to the employee and the employee's family members. If so, the ALE will provide certain information about the coverage. The ALE will also use this section to indicate whether a Section 4980H safe harbor applies for that employee.

The ALE may complete the **Plan Start Month** section to identify the date on which the employer's plan year begins. Completing this section is optional for 2016, but is expected to be required in future years.

### *Offer of Coverage (Line 14)*

An ALE will complete Line 14 of the Form 1095-C to indicate whether it offered MEC to the employee. If an offer of MEC was made, the ALE will report whether the MEC provided minimum value (MV) and whether coverage was also offered to the employee's spouse and dependents. If the employer is using the Qualifying Offer Method of reporting for the employee, the affordability of coverage will also be reported on Line 14. See Chapter 8 of this guide for more information on the Qualifying Offer Method of reporting.

Information on the offer of coverage is reported using indicator codes. Specifically, the ALE will use Code Series 1 to report information regarding whether coverage was offered, and, if so, the information about the coverage. See the table on Pages 20-21 of this guide for more details about Code Series 1.

Unless a code is entered in the "All 12 Months" box, a code must be entered for each calendar month (January through December), even if the employee was not a full-time employee for one or more of the calendar months.

An ALE is considered to have offered health coverage for a month only if the offered coverage would **provide coverage for every day of that calendar month**. If an employee terminates his or her employment before the last day of a month, and the ALE terminates that employee's coverage (or offer of coverage) as of the date of the employee's termination, the employee does not actually have an offer of coverage for that month. In this case, the ALE would indicate that it did **not** offer coverage for the month (using Code 1H), and the ALE would qualify for transition relief for that employee and month (by entering Code 2B from Code Series 2 on Line 16 of the 1095-C for that month – see below for more information about Line 16 and Code Series 2).

### Minimum Essential Coverage (MEC)

Most employer-sponsored health plans will qualify as MEC, which includes:

- Both insured and self-insured group health plans; and
- Grandfathered plans under the ACA.

MEC does **not** include certain specialized coverage or excepted benefits.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

Health coverage does not include any coverage that was not actually offered to the employee, even if the ALE would otherwise be treated as having offered the coverage. For example, if the ALE is eligible for the dependent coverage transition relief or non-calendar year transition relief under Section 4980H for the employee, the ALE would be treated as having offered the coverage for purposes of providing the total number of its full-time employees that were offered MEC on Form 1094-C. However, for purposes of entering codes on Line 14 of the Form 1095-C, the ALE would only include the offer of coverage if it was **actually offered** for every day of the calendar month.

In addition to specifying whether coverage was offered to the employee, the codes in Code Series 1 specify the type of coverage, if any, that was offered to the employee's spouse and the employee's dependents. For coverage reporting purposes, the term **dependent** means the employee's biological or adopted child who has not reached age 26. However, a child is still a dependent for the entire month in which he or she turns 26. The term dependent does **not** include the employee's spouse, stepchildren or foster children.

For coverage reporting purposes, the term **dependent** means the employee's biological or adopted child who has not reached age 26.

### Offers of COBRA Coverage

If an employee was offered COBRA coverage, choosing the code to use from Code Series 1 will depend on the reason for the offer of COBRA coverage.

- For an employee whose employment was terminated, Code 1H (no offer of coverage) would apply; and
- For an employee who remained actively employed but was offered COBRA coverage due to a reduction in hours or for other reasons, the same codes that apply to other active employees would apply.

### *Conditional Offer of Spousal Coverage*

New Codes 1J and 1K for 2016 address conditional offers of spousal coverage (also referred to as coverage offered conditionally). A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee's spouse only if the spouse is not eligible for coverage under Medicare or a group health plan sponsored by another employer). Using new Codes 1J and 1K, an ALE may report a conditional offer to a spouse as an offer of coverage, regardless of whether the spouse meets the reasonable, objective condition.

A conditional offer generally would impact a spouse's eligibility for the premium tax credit only if all conditions to the offer are satisfied (that is, the spouse was actually offered and eligible for the coverage). To help employees (and spouses) who have received a conditional offer determine their eligibility for the premium tax credit, the ALE should be prepared to provide, upon request, a list of any and all conditions applicable to the spousal offer of coverage.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

The following table provides additional details about how to use the codes in Code Series 1 for completing Line 14 of the Form 1095-C.

Code Series 1		
Code	Description	Use if:
<b>1A</b>	Qualifying Offer: MEC providing minimum value offered to full-time employee with employee required contribution for self-only coverage equal to or less than 9.5% (as adjusted) of mainland single federal poverty line and at least MEC offered to spouse and dependent(s)	The employee was given a Qualifying Offer. This code can be used even if a Qualifying Offer was not made for the entire year.
<b>1B</b>	MEC providing minimum value offered to the employee only	The employer's coverage excludes spouses and dependent children
<b>1C</b>	MEC providing minimum value offered to the employee and at least MEC offered to dependent(s) (not spouse)	The employer's coverage excludes spouses
<b>1D</b>	MEC providing minimum value offered to the employee and at least MEC offered to spouse (not dependent(s))	The employer's coverage excludes dependent children
<b>1E</b>	MEC providing minimum value offered to the employee and at least MEC offered to dependent(s) and spouse	The employer's coverage is offered to the whole family and provided minimum value to at least the employee
<b>1F</b>	MEC NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents	The employer's coverage does not provide minimum value
<b>1G</b>	Offer of coverage to an individual who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) AND who enrolled in self-insured coverage for one or more months of the calendar year	The ALE offers a self-insured plan and is using Form 1095-C, Part III, to report under Section 6055 for an individual who was not a full-time employee for any month of the calendar year
<b>1H</b>	No offer of coverage (employee not offered any health coverage or was offered coverage that is not MEC, which may include one or more months in which the individual was not an employee)	<ul style="list-style-type: none"> <li>The employee was not eligible to enroll in coverage for the entire month</li> <li>The coverage offered was not MEC</li> <li>The employee terminated employment during the month and COBRA coverage was offered</li> </ul>
<b>1I</b>	Not applicable for 2016 reporting	

## SECTION 6056

# EMPLOYER REPORTING GUIDE

<b>1J</b>	MEC providing minimum value offered to the employee and at least MEC conditionally offered to spouse; MEC not offered to dependent(s)	The employer's coverage includes a conditional offer of spousal coverage, but excludes dependent children
<b>1K</b>	MEC providing minimum value offered to the employee; at least MEC conditionally offered to spouse; and MEC offered to dependent(s)	The employer's coverage is offered to the whole family, and includes a conditional offer of spousal coverage
<p style="text-align: center;"><b><i>See Chapter 8 of this Guide for more information on Code 1A (Qualifying Offer) and Code 1I (Qualifying Offer Method Transition Relief for 2015)</i></b></p>		

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### **Cost of Coverage (Line 15)**

In many cases, ALEs that offer MEC will have to report the employee's required contribution for self-only coverage on Line 15 of the Form 1095-C. Specifically, the information that must be entered is the amount of the employee's share of the lowest-cost monthly premium for self-only MEC providing minimum value (MV) that is offered to the employee. This will be a dollar amount, including any cents.

The amount entered on Line 15 may not be the amount the employee is paying for the coverage, if the employee chose to enroll in more expensive coverage offered by the ALE.

The required contribution amount reported on Line 15 will not necessarily be the cost of the coverage in which the employee actually enrolled. For example, an employee may enroll in a more expensive coverage option (such as family coverage). The ALE should still enter the lowest-cost monthly premium for self-only coverage that was offered to the employee.

An ALE will be required to complete Line 15 of an employee's Form 1095-C only if Code **1B, 1C, 1D, 1E, 1J or 1K** is entered on Line 14 (either in the "All 12 Months" box or in any of the monthly boxes). If any other code is entered on Line 14 for any month, the ALE should leave Line 15 blank for that month.

To determine the employee's monthly contribution amount, an ALE may divide the total employee share of the premium for the plan year by the number of months in the plan year. The resulting amount will be entered into the boxes for each month of the calendar year that fall within the plan year.

$$\text{Monthly employee required contribution} = \frac{\text{Total employee required contribution for the plan year}}{\text{Number of months in the plan year}}$$

If the employee is offered coverage but is not required to contribute any amount toward the premium, the ALE will enter "0.00." Line 15 must not be left blank if Code **1B, 1C, 1D, 1E, 1J or 1K** was entered on Line 14, either for that month or for all 12 months.

### **Section 4980H Safe Harbor (Line 16)**

ALEs will complete Line 16 of the Form 1095-C to indicate whether a Section 4980H safe harbor or other transition relief applies for the employee. The information on the Section 4980H safe harbors is reported using indicator codes from Code Series 2.

Entering a safe harbor code will tell the IRS why an employer shared responsibility penalty would not apply for that employee for a month. For example, the employee may not have been employed for a month, the employee may have enrolled in the coverage offered or specific transition relief might apply.

***If no code from Code Series 2 applies for a calendar month, Line 16 will be left blank.***

## SECTION 6056

# EMPLOYER REPORTING GUIDE

Only one code from Code Series 2 may be used for a particular month, even if more than one situation applies to the same employee in the same month. For example, an employee could be enrolled in health coverage for a particular month (Code 2C) during which he or she is not a full-time employee (Code 2B). However, the ALE would only enter one of those applicable codes (in this case, Code 2C).

The code descriptions in the table below address which code to use for a month, if more than one code from Code Series 2 could apply.

### Which code should be used if the employee waived coverage?

There is no specific safe harbor code for a situation where the employee was offered coverage but declined to enroll. On its own, a waiver of coverage does not exempt an ALE from penalties. The employer will have to show that its coverage met the applicable requirements or that some other relief applies. For example, the employer could show that its coverage was affordable using Code 2F, 2G or 2H.

Code Series 2		
Code	Description	Instructions
<b>2A</b>	Employee not employed during the month	<p>Enter Code 2A if the employee was not employed on any day of the calendar month.</p> <p>Do not use Code 2A for a month if the individual was an employee of the ALE on any day of the calendar month.</p> <p>Do not use Code 2A for the month during which an employee terminates employment with the ALE.</p>
<b>2B</b>	Employee not a full-time employee	<p>Enter Code 2B if the employee is not a full-time employee for the month and did not enroll in MEC, if it was offered for the month.</p> <p>Also enter Code 2B if the employee is a full-time employee for the month who terminated employment during the month and the offer of coverage (or coverage, if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month.</p>
<b>2C</b>	Employee enrolled in health coverage offered	<p>Enter Code 2C for any month in which the employee enrolled for each day of the month in health coverage offered by the ALE, regardless of whether any other code in Code Series 2 might also apply (for example, the code for a Section 4980H affordability safe harbor), except as provided below.</p> <p>Do not enter Code 2C on Line 16 for any month in which the multiemployer interim rule relief applies (enter Code 2E).</p> <p>Do not enter Code 2C on Line 16 if Code 1G is entered on Line 14.</p> <p>Do not enter Code 2C on Line 16 for any month in which a terminated employee is enrolled in COBRA continuation coverage</p>

## SECTION 6056

# EMPLOYER REPORTING GUIDE

		<p>or other post-employment coverage (enter Code 2A).</p> <p>Do not enter Code 2C on Line 16 for any month in which the employee enrolled in coverage that was not MEC.</p>
<b>2D</b>	Employee in a Section 4980H(b) Limited Non-assessment Period	<p>Enter Code 2D for any month during which an employee is in a Section 4980H(b) Limited Non-assessment, such as a waiting period or initial measurement period. See below for more information on Limited Non-assessment Periods.</p> <p>If an employee is in an initial measurement period, enter Code 2D (employee in a Section 4980H(b) Limited Non-assessment Period) for the month, and not Code 2B (employee not a full-time employee).</p> <p>For an employee in a Section 4980H(b) Limited Non-assessment Period for whom the ALE is also eligible for the multiemployer interim rule relief for the month, enter Code 2E (multiemployer interim rule relief) and not Code 2D (employee in a Section 4980H(b) Limited Non-assessment Period).</p>
<b>2E</b>	Multiemployer interim rule relief	<p>Enter Code 2E for any month for which the multiemployer arrangement interim guidance applies for that employee, regardless of whether any other code in Code Series 2 (including Code 2C) might also apply. See below for more information about this relief.</p> <p><b>Note.</b> Although ALEs may use the Section 4980H affordability safe harbors to determine affordability for purposes of the multiemployer arrangement interim guidance, an ALE eligible for the relief provided in the multiemployer arrangement interim guidance for a month for an employee should enter Code 2E (multiemployer interim rule relief), and not Codes 2F, 2G or 2H (codes for Section 4980H affordability safe harbors).</p>
<b>2F</b>	Section 4980H affordability Form W-2 safe harbor	Enter Code 2F if the ALE used the Form W-2 safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for the year. If an ALE uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.*
<b>2G</b>	Section 4980H affordability federal poverty line safe harbor	Enter Code 2G if the ALE used the federal poverty line safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).*
<b>2H</b>	Section 4980H affordability rate of pay safe harbor	Enter Code 2H if the ALE used the rate of pay safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).*
<b>2I</b>	Not applicable for 2016 reporting	

## SECTION 6056

# EMPLOYER REPORTING GUIDE

**\*Note.** An affordability safe harbor code should not be entered on Line 16 for any month that the ALE did not offer MEC to at least 95 percent of its full-time employees and their dependents (that is, any month for which the ALE checked the “No” box on Form 1094-C, Part III, column (a)).

### **Limited Non-assessment Periods**

A Limited Non-assessment Period is a time period during which an ALE will not be subject to an employer shared responsibility penalty under Section 4980H(a), and in certain cases under Section 4980H(b), for a full-time employee, regardless of whether that employee is offered health coverage during that period.

- **First Calendar Month of Employment.** If the employee’s first day of employment is a day other than the first day of the calendar month, then the employee’s first calendar month of employment is a Limited Non-assessment Period

The first five periods described below are Limited Non-Assessment Periods with respect to Sections 4980H(a) and 4980H(b) only if the employee is offered health coverage by the first day of the first month following the end of the period. Also, the five periods described below are Limited Non-Assessment Periods for section 4980H(b) only if the health coverage that is offered at the end of the period provides minimum value. For more information on Limited Non-Assessment Periods and the application of section 4980H, see Regulations section 54.4980H-1(a)(26).

In addition, the five periods described below are Limited Non-Assessment Periods with respect to Sections 4980H(a) and 4980H(b) only if the employee is offered health coverage by the first day of the first month following the end of the period. They are considered Limited Non-assessment Periods for Section 4980H(b) only if the health coverage that is offered at the end of the period provides minimum value.

- **January through March of the first calendar year in which an employer is an ALE**, but only for an employee who was not offered health coverage by the employer at any point during the prior calendar year
- **Waiting Period under the Monthly Measurement Method**, beginning with the first full calendar month in which the employee is first otherwise (but for completion of the waiting period) eligible for an offer of health coverage and ending no later than two full calendar months after the end of that first calendar month
- **Waiting Period under the Look-back Measurement Method**, beginning on the employee’s start date and ending no later than the end of the employee’s third full calendar month of employment, if the employee is reasonably expected to be a full-time employee at his or her start date
- **Initial Measurement Period and Associated Administrative Period under the Look-back Measurement Method**, if the employee is a variable-hour employee, seasonal employee or part-time employee

## SECTION 6056

# EMPLOYER REPORTING GUIDE

- **Period Following Change in Status that Occurs During Initial Measurement Period Under the Look-back Measurement Method**, beginning on the date of the employee's change in employment status and ending no later than the end of the third full calendar month following the change in employment status, if, as of the employee's start date, the employee is a variable-hour employee, seasonal employee or part-time employee, but, during the initial measurement period, the employee has a change in employment status such that, if the employee had begun employment in the new position or status, the employee would have reasonably been expected to be a full-time employee. If the employee is a full-time employee based on the initial measurement period and the associated stability period starts sooner than the end of the third full calendar month following the change in employment status, this Limited Non-assessment Period ends on the day before the first day of that associated stability period.

### *Multiemployer Interim Rule Relief*

An ALE is treated as having offered health coverage to an employee if the employer is required (by a collective bargaining agreement or related participation agreement) to make contributions for that employee to a multiemployer plan that meets certain requirements. For the ALE to qualify for this relief, the multiemployer plan must:

- Offer health coverage that is affordable and provides minimum value to individuals who satisfy the plan's eligibility conditions; and
- Offer health coverage to those individuals' dependents (or be eligible for the Section 4980H transition relief regarding offers of coverage to dependents).

For reporting offers of coverage for 2016, an ALE relying on the multiemployer arrangement interim guidance should enter Code 1H on Line 14 for any month for which the ALE enters Code 2E on Line 16 (indicating that the ALE was required to contribute to a multiemployer plan on behalf of the employee for that month, and, therefore, is eligible for multiemployer interim rule relief).

For reporting for 2016, Code 1H may be entered without regard to whether the employee was eligible to enroll or enrolled in coverage under the multiemployer plan. For reporting for 2017 and future years, ALEs relying on the multiemployer arrangement interim guidance may be required to report offers of coverage made through a multiemployer plan in a different manner.

# CHAPTER 7: COMPLETING FORM 1094-C

## COMPLETE ONE FORM 1094-C AS THE AUTHORITATIVE TRANSMITTAL

Every ALE is required to file at least one Form 1094-C with the IRS. Although ALEs may file more than one Form 1094-C with its returns, every ALE must designate only one Form 1094-C as its **Authoritative Transmittal** for all of its returns.

An ALE's Authoritative Transmittal is used to report all of the information that is required for the employer (the aggregate employer-level data for the ALE). To designate a Form 1094-C as the Authoritative Transmittal, the ALE will check the box on Line 19 and complete Parts II, III and IV, to the extent applicable.

Any additional Forms 1094-C filed by or on behalf of the ALE must **not** be designated as an Authoritative Transmittal, and must only include information about the number of Forms 1095-C that are attached to that specific Form 1094-C.

An ALE's **Authoritative Transmittal** is used to report aggregate-level data about the ALE and its employees.

This situation may occur if the ALE is sending some of its Forms 1095-C in separate batches. The additional Forms 1094-C that the ALE files with the separate batches of Forms 1095-C must also include the information about the ALE in Part I and a completed signature line. The remaining parts of the additional Forms 1094-C must be left blank.

## PART I: APPLICABLE LARGE EMPLOYER MEMBER (ALE MEMBER)

### *Information about the Employer (Lines 1-18)*

In Part I of all Forms 1094-C that an ALE includes in its returns, the ALE must report its:

- Employer name, EIN and address; and
- The name of the person whom the ALE designates as the person responsible for answering any questions from the IRS regarding the filing of or information reported on Forms 1094-C and 1095-C, along with that person's telephone number.

If a Designated Governmental Entity (DGE) is filing on behalf of the ALE, the DGE must include its name, EIN, address, contact person and telephone number as well.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

On Line 18 of every Form 1094-C, the ALE must enter the total number of Forms 1095-C that the ALE is filing with that particular Form 1094-C.

### *Authoritative Transmittal Designation (Line 19)*

The ALE must check the box on Line 19 on **only one** Form 1094-C. This designates that Form 1094-C as the ALE's Authoritative Transmittal. On the Form 1094-C that is designated as the ALE's Authoritative Transmittal, the ALE must complete all applicable parts discussed below.

If the Form 1094-C is **not** designated as the Authoritative Transmittal, the ALE must leave the rest of the form blank (Parts II, III and IV), except for the signature line. The signature line must be completed on all Forms 1094-C that an ALE includes in its returns.

## PART II: ALE MEMBER INFORMATION

### *Information about the Employer and Returns (Lines 20-21)*

In Part II of its Authoritative Transmittal Form 1094-C, the ALE must enter:

- The total number of Forms 1095-C it is filing (including any that the ALE may send in separate batches with separate Forms 1094-C, but not counting continuation sheets) on Line 20; and
- An "X" on Line 21 in the "Yes" or "No" box to indicate whether the ALE is part of an Aggregated ALE Group.

Lines 20-22 should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

### *Certifications of Eligibility for Alternative Reporting Methods and Transition Relief (Line 22)*

If the ALE is using an alternative method of reporting, it must certify its eligibility to use the alternative reporting method by placing an "X" in the appropriate box on Line 22 of its Authoritative Transmittal. See Chapter 8 of this guide for more details about the alternative methods of reporting under Section 6056.

An eligible ALE may use one alternative method of reporting for some employees and another alternative method (or the general reporting method) for other employees. Therefore, depending on its eligibility and whether it is actually using the alternative reporting method(s), the ALE may place an "X" in one or more of the following at Line 22:

- **Box A:** to certify it is eligible to use (and is using) the Qualifying Offer Method for some or all of its employees; or
- **Box D:** to certify it is eligible to use (and is using) the 98 Percent Offer Method.

Box B is reserved because it is not applicable for 2016 reporting. Details about these alternative reporting methods are included in Chapter 8 of this guide.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

Line 22 also includes **Box C**, which indicates whether the ALE is eligible for certain transition relief for the 2015 plan year under the ACA's employer shared responsibility rules, based on the ALE's number of full-time (and FTE) employees in 2014. For the 2016 calendar year, this transition relief is applicable only if the ALE offers coverage under a health plan with a plan year beginning on a date other than January 1 (a non-calendar year plan year), and only for calendar months in 2016 that fall within that 2015 plan year.

The **2015 Plan Year Section 4980H Transition Relief** certification in Box C can be used by:

- **ALEs that had 50 to 99 full-time (and FTE) employees in 2014:** to certify that they are eligible for the 2015 Plan Year Section 4980H transition relief that exempts them from any potential employer shared responsibility penalties for the 2015 plan year.
- **ALEs that had 100 or more full-time (and FTE) employees in 2014:** to certify that they are eligible for the 2015 Plan Year Section 4980H transition relief that allows them to reduce their full-time employee count by 80, rather than by 30, when calculating any applicable employer shared responsibility penalties under Section 4980H(a) for the 2015 plan year.

An ALE that qualifies for either of these provisions should place an "X" in Box C on Line 22 of its Authoritative Transmittal.

It is possible for an ALE to check some, all or none of the boxes on Line 22 of the Authoritative Transmittal. None of these boxes should be checked on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

### *Signature Line*

An ALE must complete the signature line at the end of Part II on its Authoritative Transmittal, as well as on all Forms 1094-C that it files with the IRS.

## **PART III: ALE MEMBER INFORMATION—MONTHLY (LINES 23-35)**

Part III of Form 1094-C includes five columns—Columns (a) through (e).

- All ALEs must enter information in Columns (a) and (c) on their Authoritative Transmittal. These columns are used to report information about the ALE's employees, along with the coverage offered (or not offered) to those employees, in all months of the calendar year.
- The other three columns in Part III—Columns (b), (d) and (e)—will only be completed if they apply for the ALE. See below for more information on these columns.

An ALE must complete Part III only on its Authoritative Transmittal Form 1094-C. Part III should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### **Column (a)—Minimum Essential Coverage (MEC) Indicator**

Column (a) is used to indicate whether the ALE offered MEC to “substantially all” of its full-time employees (and their dependents) for each calendar month of the reporting year.

If the answer is the same for all 12 months, the ALE can complete Line 23 and leave Lines 24-35 blank. If the answer is **not** the same for all 12 months, Lines 24-35 will have to be completed.

For 2016 and later, “**substantially all**” means 95 percent of the ALE’s full-time employees

23

Column (a) If MEC was offered to “substantially all” of the ALE’s full-time employees (and dependents):	
For every month of the year	Enter an “X” in the “Yes” box on Line 23 for “All 12 Months” (or in the “Yes” boxes on Lines 24-35 for each individual calendar month).
For only certain calendar months	Enter an “X” in the “Yes” or “No” boxes, as applicable, on Lines 24-35.
No months of the year	Enter an “X” in the “No” box on Line 23 for “All 12 Months” (or in the “No” boxes on Lines 24-35 for each individual calendar month).

### **Column (b)—Full-time Employee Count**

Unless the ALE certified (on Line 22 of the Authoritative Transmittal) that it is eligible to use the 98 Percent Offer Method of reporting (see Chapter 8 of this guide for more information on this method), the ALE must enter the number of full-time employees it employed, in either the “All 12 months” box on Line 23, or the boxes for each calendar month of the reporting year on Lines 24-35, in Column (b).

### **Column (c)—Total Employee Count**

All ALEs must enter the total number of employees (both part-time and full-time) that they employed during the calendar year, for either all 12 months on Line 23, or for each of the calendar months of the reporting year on Lines 24-35, in Column (c).

The number should include all employees, even those who were in a Limited Non-assessment Period, for each calendar month. An ALE must choose one of the following days of the month to determine the number of employees for the month and use that day for all months of the year:

- First day of each month;
- Last day of each month;
- Twelfth day of each month;
- First day of the first payroll period that starts during each month; or
- Last day of the first payroll period that starts during each month (but only if this day always falls within the same month as the beginning of the payroll period used).

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### *Column (d)—Aggregated Group Indicator*

An ALE will only complete Column (d) if it indicated (on Line 21) that it is part of an Aggregated Group.

If the ALE indicated that it is part of an Aggregated ALE Group (and is therefore an “ALE Member”), the ALE Member will complete Column (d) by placing an “X” in the boxes for the appropriate time period.

Column (d) If the ALE Member was part of an Aggregated ALE Group:	
For the entire year	Enter an “X” in the box on Line 23 for “All 12 Months” (or on Lines 24-35 for each individual calendar month).
For only certain calendar months	Enter an “X” in all boxes on Line 23-35 for each month that it was part of the Aggregated ALE Group, and leave the other boxes blank.

### *Column (e)—Section 4980H Transition Relief Indicator*

An ALE will only complete Column (e) if it certified (on Line 22) that it is eligible for 2015 Plan Year Section 4980H transition relief. For the 2016 calendar year, this transition relief is applicable only if the ALE offers coverage under a health plan with a plan year beginning on a date other than January 1 (a non-calendar year plan year), and only for calendar months in 2016 that fall within that 2015 plan year.

If the ALE certified that it is eligible for 2015 Plan Year Section 4980H transition relief, the ALE will enter either an “A” or a “B” in the appropriate boxes of Column (e) for each month in which the ALE is eligible for the transition relief. An ALE cannot be eligible to use both “A” and “B.”

Column (e) If the ALE certified (on Line 22) that it is eligible for 2015 Plan Year Section 4980H transition relief, and had:	
50 to 99 full-time (and FTE) employees in 2014	Place an “A” in the boxes on Lines 24-35 for each individual calendar month to which the transition relief applies.
100 or more full-time (and FTE) employees in 2014	Place a “B” in the boxes on Lines 24-35 for each individual calendar month to which the transition relief applies.

## **PART IV: OTHER ALE MEMBERS OF AGGREGATED ALE GROUP**

An ALE will only complete Part IV of the Authoritative Transmittal Form 1094-C if it indicated (on Line 21) that it is an ALE Member of an Aggregated ALE Group. If the ALE indicated that it is an ALE Member of an Aggregated ALE Group, the ALE will enter the name(s) and EIN(s) of up to 30 other ALE Members that are part of the same Aggregated ALE Group, in Part IV.

If there are more than 30 members of the Aggregated ALE Group, the ALE must enter the 30 with the highest monthly average number of full-time employees (using the number reported in Part III, Column (b), if a number was required to be reported) for the year, or for the number of months during which the ALE Member was a member of the Aggregated ALE Group.

Regardless of the number of members in the Aggregated ALE Group, ALEs should list only the 30 members in descending order, listing first the member with the highest average monthly number of full-time employees. The employer must also complete Part III, Column (d), to indicate which months it was part of an Aggregated ALE Group.

Part IV should only be completed on the Authoritative Transmittal. Part IV should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

# CHAPTER 8: REPORTING METHODS

## OVERVIEW OF REPORTING METHODS

Different methods of reporting are available to ALEs under Section 6056—a **general reporting method**, which all ALEs may use, and **two alternative reporting methods** for ALEs that meet certain eligibility requirements.

The alternative methods of reporting are intended to minimize costs and administrative tasks for ALEs that qualify to use them. In certain situations, the alternative reporting methods allow ALEs to provide less detailed information than they would have to provide under the general method of reporting. In some cases, an ALE using an alternative method of reporting may also be able to provide simplified employee statements to full-time employees.

### Alternative Reporting Methods

**The Qualifying Offer Method:** Reporting Based on Certification of Qualifying Offers

**The 98 Percent Offer Method:** Option to Report without Separate Identification of Full-Time Employees if Certain Conditions Related to Offers of Coverage Are Satisfied

If an ALE cannot use the alternative reporting methods for certain employees, the ALE must use the general method of reporting for those employees. The alternative reporting methods are all optional. This means that an ALE may choose to report for all of its full-time employees using the general reporting method, even if an alternative reporting method is available.

If an ALE is eligible to use an alternative reporting method with respect to one or more full-time employees, the ALE may:

- Use that alternative reporting method for those employees, and the general reporting method for other employees; or
- Use any other available alternative method for other employees.

## GENERAL REPORTING METHOD

Under the general method of reporting, the ALE files with the IRS:

- One Form 1094-C designated as its Authoritative Transmittal; and
- A separate Form 1095-C for each full-time employee.

In addition to the filing requirement, an ALE using the general method of reporting must furnish a statement to each full-time employee that includes all of the information that the ALE must provide to the IRS on Form 1095-C regarding that employee.

An ALE using the general method of reporting may furnish to each full-time employee either:

- A copy of the Form 1095-C that it files with the IRS for that employee; or
- A substitute statement that provides all of the same information requested on that form.

In contrast, ALEs reporting under an alternative method of reporting may, in some cases, furnish simplified statements to employees in lieu of a copy of Form 1095-C.

Much of the information that is required in order to complete Forms 1094-C and 1095-C under the general reporting method is also required under the alternative reporting methods. In some cases, an ALE using an alternative reporting method may provide fewer details than it would have to provide under the general method of reporting. The general method of reporting also provides a framework for all ALEs to follow when completing their Section 6056 returns, regardless of the reporting method used.

ALEs may file substitute forms, as long as the substitute forms:

- Include all of the information required on Form 1094-C and Form 1095-C

**AND**

- Satisfy all form and content requirements, as specified by the IRS.

## ALTERNATIVE REPORTING METHODS

An ALE that uses an alternative method of reporting under Section 6056 must provide a **certification of eligibility** for the alternative method of reporting on its Form 1094-C. This certification is indicated on Line 22 of the Form 1094-C that is designated as the ALE's Authoritative Transmittal.

### *Qualifying Offer Method*

The Qualifying Offer Method is designed to ease the reporting burden for ALEs that offer health plans at low cost to their full-time employees. For these ALEs, simplified reporting would provide sufficient information to the IRS to determine whether an employer shared responsibility penalty may apply.

For eligible ALEs, the Qualifying Offer Method provides:

- An alternative method of completing Form 1095-C; and
- An alternative method of furnishing Form 1095-C to certain full-time employees.

The Qualifying Offer Method applies on an employee-by-employee basis. Therefore, ALEs may be eligible to use the Qualifying Offer Method for some of their employees, but not others.

To be eligible to use the Qualifying Offer Method, an ALE must certify that it made a "Qualifying Offer" to at least one full-time employee (for whom an employer shared responsibility penalty could apply) for all months during the year in which the employee was a full-time employee.

A **Qualifying Offer** was made if the ALE offered:

- MEC providing minimum value to a full-time employee at an employee cost for self-only coverage not exceeding **9.5 percent (as adjusted) of the mainland single federal poverty line**; and
- MEC to the employee's **spouse and dependents**.

An ALE will certify that it made a Qualifying Offer to one or more full-time employees by checking the "Qualifying Offer Method" box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

If the ALE certifies that it made a Qualifying Offer to one or more full-time employees, it can use the **alternative method of completing Form 1095-C** for those employees who received a Qualifying Offer. However, additional requirements must be met to be able to use the **alternative method of furnishing Form 1095-C** to the full-time employees.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### *Alternative Method of Completing Form 1095-C under the Qualifying Offer Method*

An ALE using the Qualifying Offer Method for a full-time employee may use a simplified method for completing Form 1095-C for that full-time employee.

Completing Form 1095-C under the Qualifying Offer Method	
<b>Line 14</b>	Enter <b>Code 1A</b> in in the “All 12 months” box (or each applicable monthly box)
<b>Line 15</b>	Leave the boxes blank for all months in which Code 1A was entered on Line 14
<b>Line 16</b>	The ALE may, but is not required, to enter an applicable code on Line 16 for any month for which Code 1A is entered on Line 14. A Qualifying Offer, by definition, falls within an affordability safe harbor even if no code is entered on Line 16.

Code 1A may be used to report for specific months in which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the calendar year. However, an ALE **may not use the alternative method of furnishing Form 1095-C** described below for an employee who did not receive a Qualifying Offer for all 12 calendar months.

An ALE is not required to use the Qualifying Offer Method, even if it is eligible. Instead, the ALE may enter the applicable Offer of Coverage code on Line 14, and then enter the employee required contribution on Line 15.

### *Furnishing Form 1095-C under the Qualifying Offer Method*

An ALE that is eligible to use the Qualifying Offer Method may use the alternative method of furnishing Form 1095-C only for a full-time employee who:

- Received a Qualifying Offer for all 12 months of the calendar year; and
- Did not enroll in employer-sponsored self-insured coverage.

For these employees, the ALE may furnish either a copy of Form 1095-C as filed with the IRS, or a simplified employee statement containing the following information:

- The ALE’s name, address and EIN;
- The contact name and telephone number at which the employee may receive information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employee;
- Notification that, for all 12 months of the calendar year, the employee (and his or her spouse and dependents) received a Qualifying Offer and therefore is not eligible for a premium tax credit; and
- Information directing the employee to see [Pub. 974, Premium Tax Credit \(PTC\)](#), for more information on eligibility for the credit.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

An ALE may not use the alternative furnishing method for a full-time employee who enrolled in self-insured coverage. These employees will need to receive information regarding their enrollment in the self-insured coverage, which is reported on Form 1095-C, Part III. As a result, the ALE must furnish Form 1095-C, including the information reporting enrollment in the coverage on Form 1095-C, Part III, for any employees who enrolled in self-insured coverage.

An ALE is not required to use the alternative method of furnishing for an employee even if the alternative method would be allowed. Instead, the ALE may furnish a copy of Form 1095-C as filed with the IRS (with or without the statement described above).

### *98 Percent Offer Method*

The 98 Percent Offer Method is designed to ensure that an ALE has offered coverage to “substantially all” of its full-time employees, and therefore is not subject to an employer shared responsibility penalty, without having to know which reported employees are full-time and which are part-time.

An ALE can use the **98 Percent Offer Method** if:

- It offered MEC that is affordable and provides minimum value to **at least 98% of its full-time employees** on whom it reports on its Section 6056 return; and
- It offered MEC to those employees’ dependent(s).

An ALE will certify that it is eligible to use the 98 Percent Offer Method by checking the “98 Percent Offer Method” box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

For eligible ALEs, the 98 Percent Offer Method provides only an alternative method of completing Form 1094-C. An ALE using the 98 Percent Offer Method does **not** have to provide its full-time employee count in Part III, Column (b) of Form 1094-C (as required under the general method of reporting and the other alternative methods of reporting).

The 98 Percent Offer Method does not provide an alternative method of completing or furnishing Forms 1095-C. An ALE using the 98 Percent Method is still required to file a separate Form 1095-C on behalf of all its full-time employees. Reporting is still required under the normal rules for all full-time employees, including those not offered coverage.

# CHAPTER 9: HOW TO FILE AND FURNISH

## MANNER OF FILING AND FURNISHING SECTION 6056 FORMS

In general, ALEs responsible for reporting under Section 6056 may furnish statements to employees and file returns with the IRS on paper or electronically. However:

- Employee statements must be furnished on paper unless an employee properly consents to electronic delivery;
- Returns must be filed with the IRS electronically if an ALE is filing 250 or more individual statements (Forms 1095-C) per calendar year; and
- The IRS encourages electronic filing for all other returns.

Electronic filing is performed using the ACA Information Returns (AIR) Program. [Pub. 5165, Guide for Electronically Filing ACA Information Returns for Software Developers and Transmitters](#) provides very detailed technical information regarding standards for software developers and transmitters that plan to facilitate this electronic reporting through the AIR System.

To develop software for use with the AIR system, software developers, transmitters and issuers (providers filing their own Forms 1094-B and 1095-B under Section 6055) should use the guidelines provided in Pub. 5165, along with the Extensible Markup Language (XML) Schemas published on the [IRS website](#).

## HOW TO FURNISH EMPLOYEE STATEMENTS

In general, ALEs must furnish **paper** statements to all full-time employees. However, an ALE may furnish an employee statement electronically if it obtains the full-time employee's affirmative consent.

### *Paper Furnishing*

An ALE must furnish its paper statements to full-time employees via hand-delivery or by properly addressing and mailing them to the employees' last known permanent addresses. The statements must be delivered or mailed on or before the applicable due date.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### *Electronic Furnishing*

An employee's affirmative consent for electronic delivery of a Section 6056 statement must meet specific requirements before the ALE may rely on the consent:

- An individual may provide the required consent for electronic delivery on paper or electronically (for example, by email).
- If the consent is on paper, the individual must also confirm the consent electronically.
- The consent must specifically identify each form.
- An employee's consent to receive a Form W-2 electronically may not be considered a consent to also receive the employee statement under Sections 6056 electronically.
- It is not sufficient for an entity to simply post the information on a website accessible to the individual or to provide the information only upon request.

These requirements help ensure that all employees are able to access their statements.

Once an ALE obtains proper consent from an individual, it may furnish the statement by email or by informing the individual how to access the statement on the employer's website.

## HOW TO FILE RETURNS WITH THE IRS

Although paper filing is permitted in some circumstance under Section 6056, the IRS encourages ALEs to file all of their returns **electronically** using the AIR system.

### *Electronic Reporting Requirement*

Any reporting entity that is required to file at least 250 individual statements (Forms 1095-C) per calendar year must file electronically.

#### **The 250-or-more requirement applies separately to:**

- Each type of individual statement (Forms 1095-C or Forms 1095-B); and
- Each type of corrected individual statement.

*The IRS Instructions for Forms 1094-C and 1095-C provide more information on how to furnish and file corrected forms.*

Entities filing fewer than 250 individual statements during the calendar year may choose to file in paper form, but are permitted (and encouraged) to file electronically.

## SECTION 6056

# EMPLOYER REPORTING GUIDE

### *Waiver of the Electronic Reporting Requirement*

ALEs may request a waiver from the requirement to file returns electronically by submitting [Form 8508](#). ALEs are encouraged to file Form 8508 at least **45 days** before the due date of the returns, but no later than the due date of the return. The IRS does not process waiver requests until January 1 of the calendar year the returns are due.

ALEs cannot apply for a waiver for more than one tax year at a time, and must reapply at the appropriate time for each year in which a waiver is required. Any approved waivers should be kept for the ALE's records only. A copy of an approved waiver should not be sent to the service center where paper returns are filed.

If a waiver for original returns is approved, any corrections for the same types of returns will be covered under the waiver. However, if original returns are submitted electronically, but the ALE wants to submit corrections on paper, a waiver must be approved for the corrections if the ALE must file 250 or more corrections.

Without an approved waiver, an ALE that is required to file electronically but fails to do so may be subject to a penalty of up to \$260 per return, unless it can establish reasonable cause. However, ALEs can file up to 250 returns on paper, and those returns will not be subject to a penalty for failure to file electronically.

### *Paper Filing*

If an ALE is filing **fewer than 250** Forms 1095-C, the ALE may file its returns with the IRS on paper as long as the returns comply with the specifications for private printing of substitute information returns found in [Pub. 5223](#). An ALE that files its returns on paper must send the forms to the IRS:

- In a flat mailing (not folded);
- In conveniently sized packages; and
- Via First Class Mail.

On each package, the ALE must write its name and a sequential number. The ALE's Authoritative Transmittal Form 1094-C must be sent in package number one.

The mailing address to which an ALE filing by paper must send its returns depends on where the ALE's principal business, office or agency is located, and can be found in the [IRS Instructions for Forms 1094-C and 1095-C](#).

### *Corrected Forms*

If an ALE discovers an error in the returns it has filed with the IRS, the ALE should file a corrected return as soon as possible.

# CHAPTER 10: PENALTIES

## PENALTIES FOR SECTION 6056 REPORTING VIOLATIONS

An ALE may face penalties if it fails to satisfy its Section 6056 reporting obligations. These penalties are separate from the ACA's employer shared responsibility penalties.

The tax code contains the following penalty provisions:

- **Code Section 6721:** Penalties for failure to furnish correct information returns with the IRS on time
- **Code Section 6722:** Penalties for failure to furnish correct employee statements to individuals on time

In 2015, the base penalty amounts under Sections 6721 and 6722 were increased. In addition, these amounts are indexed to increase with inflation each year.

Penalty Type	Per Violation		Annual Maximum		Annual Maximum (employers with ≤\$5 million in gross receipts)	
	2016	2017	2016	2017	2016	2017
For Returns Due In:						
General	\$260	\$260	\$3,178,500	\$3,193,000	\$1,059,500	\$1,064,000
Corrected within 30 days	\$50	\$50	\$529,500	\$532,000	\$185,000	\$186,000
Corrected after 30 days, but before Aug. 1	\$100	\$100	\$1,589,000	\$1,596,500	\$529,500	\$532,000
Intentional disregard	\$520*	\$530*	No Limit		No Limit	

*\*For failures due to intentional disregard of the filing requirement, the penalty will be equal to the greater of either the listed penalty amount or 10 percent of the aggregate amount of the items required to be reported correctly.*

## SECTION 6056

# EMPLOYER REPORTING GUIDE

Reporting penalties may be waived if an ALE's failure is due to reasonable cause and not to willful neglect. The penalties may be reduced if an ALE corrects a failure within a certain period of time. Also, lower annual maximums apply for ALEs that have average annual gross receipts of up to \$5 million for the most recent three taxable years.

In addition, a reporting entity that is required to file electronically but fails to do so may be subject to a penalty of up to \$260 per return, unless the IRS has approved a request for a waiver of the electronic filing requirement or the reporting entity can establish reasonable cause for failing to file electronically.

However, reporting entities can file up to 250 returns on paper; those returns will not be subject to a penalty for failure to file electronically.

### *Short-term Relief from Penalties for 2016 Reporting Failures*

The IRS has extended short-term transition relief from penalties for providing incorrect or incomplete information to ALEs that can show that they have made good-faith efforts to comply with the Section 6056 reporting requirements for 2016 (both for furnishing to individuals and for filing with the IRS).

For returns and statements filed and furnished in 2017 to report coverage in 2016, the IRS will **not** impose penalties on reporting entities that can show they made good faith efforts to comply with the reporting requirements.

This relief is only for incorrect or incomplete information reported on the return or statement, including Social Security numbers, taxpayer identification numbers or dates of birth. No relief is provided for ALEs that do not make good faith efforts to comply with the reporting requirements or that fail to file an information return or furnish an employee statement on time.

ALEs that do not comply with the due dates for 2016 reporting will be subject to penalties under Code Section 6721 or 6722. However, ALEs that do not meet the due dates are still encouraged to furnish and file their returns and statements, and the IRS will take this furnishing and filing into consideration when determining whether to decrease penalties for reasonable cause.

The IRS will also take into account:

- Whether an ALE made reasonable efforts to prepare for reporting the required information to the IRS and furnishing it to individuals, such as gathering and transmitting the necessary data to an agent to prepare the data for submission to the IRS or testing its ability to transmit information to the IRS; and
- The extent to which the ALE is taking steps to ensure that it is able to comply with the reporting requirements for 2017.

**The IRS does not anticipate extending this good-faith relief from penalties to reporting for 2017.**

**Thank you for using the 6056 Employer Reporting Guide**

Please contact us if you have questions regarding the information in this guide or need assistance with other aspects of the Affordable Care Act's reporting requirements.

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