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## Is Your Company Ready for the New Reporting Requirements?

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In early 2016, employers with at least 50 full-time employees (FTEs) must provide Forms 1095-C to their employees and to the IRS. This new requirement applies to both insured and self-insured medical plans. The forms require, in part, tracking per each month in 2015 per each FTE:

- the tier of health plan coverage offered (e.g., employee-only, employee+spouse, or no coverage offered);
- the self-only premium an employee must pay for the lowest-cost plan that provides minimum value; and
- the reason why an employer would not be subject to a penalty for a particular month (e.g., employee is in a waiting period or the affordability safe harbor applies).

This individualized tracking generally requires the assistance of an outside vendor. There are payroll vendors, benefit administration vendors, and independent vendors providing this service. Employers with payroll vendors and/or benefit administration vendors currently in place may still need to purchase this service in addition to what they already have. Implementation can take up to 3 months. Some vendors are no longer accepting new clients. Therefore, we recommend that employers prepare ASAP if they have not already. Waiting until the last quarter of 2015 may make compliance impracticable.

Penalties for failure to file were recently increased. They can range from \$50 per form (with a \$500,000 annual maximum) to \$250 per form (with a \$3M annual maximum).

Attached please find additional information.

This document is designed to highlight various employee benefit matters of general interest to our readers. It is not intended to interpret laws or regulations, or to address specific client situations. You should not act or rely on any information contained herein without seeking the advice of an attorney or tax professional.

For more information contact your independent broker Total Benefit Solutions Inc

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# Employer Reporting Guide for Large Employers

6055 and 6056 Reporting for Large Employers

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This summary is intended to convey general information and is not an exhaustive analysis. This information is subject to change as guidance develops. You should not act or rely on any information contained herein without seeking the advice of an attorney or tax professional.

# Overview of Employer Responsibilities

Beginning with calendar year (CY) 2015, an applicable large employer (ALE or “large employer,” as referenced in this summary) must use Forms 1094-C and 1095-C to report the information required under Internal Revenue Code (Code) sections 6055 and 6056 about offers of health coverage to full-time employees’ (FTEs) and individuals’ enrollment in health coverage.

## Briefly:

- Form 1094-C is used to report to the IRS summary information of each employer and to transmit all Forms 1095-C to the IRS.
- Form 1095-C is used to report information about each FTE (and in the case of a self-insured plan, each covered individual).

## These forms are used by the IRS to determine whether:

- a large employer owes a (shared responsibility) penalty payment under the employer mandate,
- an employee is eligible for subsidies to purchase health insurance coverage in the Marketplace, and
- an individual has MEC in order to avoid potential tax penalties under the individual mandate.

As the following chart illustrates, an ALE must complete, distribute, and file these forms in the calendar year immediately following the year to which the reporting relates. The first required filing is due in early 2016 for CY 2015.

	What to complete?	When?
Large employer with an insured health plan	All applicable parts of Form 1094-C	A Form 1095-C must be furnished to each FTE by Feb. 1, 2016 for CY 2015
	Parts I and II of Form 1095-C	Form 1094-C and all Forms 1095-C must be furnished to the IRS by Feb. 29, 2016 (unless filing electronically, then Mar. 31, 2016)
Large employer with a self-insured health plan	All applicable parts of Form 1094-C	A Form 1095-C must be furnished to each FTE and each covered employee/individual by Feb. 1, 2016
	All parts of Form 1095-C	Form 1094-C and all Forms 1095-C must be furnished to the IRS by Feb. 29, 2016 (unless filing electronically, then Mar. 31, 2016)

1 Minimum essential coverage (MEC) is the technical term for most types of health insurance coverage under the ACA. It includes, but is not limited to, employer sponsored group health plan coverage, Medicare, Medicaid, and individual health insurance coverage. MEC does not include excepted benefits (e.g., most dental and vision plans, health FSAs, on-site clinics and some EAPs). For this purpose, it means eligible employer-sponsored group health plan.

2 The health insurance carrier will be responsible for providing information to the IRS and covered employees regarding MEC (using Form 1095-B).

Final forms and instructions for 2014 were recently issued. While no reporting is required for 2014, this information provides helpful insight on what data will be collected for CY 2015, the first year of applicability.

- Instructions: <http://www.irs.gov/pub/irs-pdf/i109495c.pdf>
- Form 1094-C: <http://www.irs.gov/pub/irs-pdf/f1094c.pdf>
- Form 1095-C: <http://www.irs.gov/pub/irs-pdf/f1095c.pdf>

While payroll vendors and other third parties will likely help employers through this process, it is important that an employer begins to identify the information that must be collected during the CY to satisfy this requirement.

This guide is intended to provide you with a comprehensive overview of the reporting requirements under Code sections 6055 and 6056 as it pertains to a large employer with more than 50 full time employees and equivalents. These requirements are effective for CY 2015, forms due in early 2016.

### **This guide will:**

- outline the various pieces of information and data needed during the CY to complete year-end reporting;
- provide a step-by-step guide to completing the Forms; and
- identify additional requirements for a large employer with self-insured health plan coverage.

### **Some rules to follow when using this guide:**

- While the 2014 Forms and Instructions were recently finalized, the final versions for 2015 have not been issued. Thus, information requested for 2015 may differ from what is outlined in this summary. We will keep you updated with any changes.
- Regardless of an employer's plan year, reporting is done based on the CY (January–December). Notably, non-CY plans and other changes that occur mid-year will need to be reflected for the applicable month(s). This may include changes in affordability, plan changes from insured to self-insured (or vice versa) or mid-year enrollment changes in a self-insured health plan.
- Much of this data is reported for each month of the calendar year, with some opportunities to report on a 12-month basis. Prepare to track data and pull reports for each month of the CY.

The information contained in this guide is general in nature and is subject to change as guidance develops. The information contained herein is not intended to be construed as legal advice or opinion and does not take into account any particular facts and circumstances of a specific situation. Advice of counsel or tax professionals is recommended.

# Background

Beginning in 2015, large employers may be subject to an assessable payment (referred to as a “penalty”) if any FTE receives a premium tax-credit or cost-sharing subsidy (collectively a “subsidy” or “subsidies”) to purchase health insurance through the Marketplace. There are two possible penalties (“No Coverage” and “Offer Coverage”). The penalty that may apply will depend on the particular circumstances of the employer.

For this purpose, an FTE means an employee with at least 30 hours of service per week or 130 hours of service per month as determined under the applicable measurement method (look-back or monthly).

Only applicable large employers must complete the Forms 1094-C and 1095-C. Generally, this means an employer that had 50 or more FTEs (including full-time equivalent employees) on business days in the preceding calendar year. Large employer status is determined on an annual basis and requires aggregating all employees within a controlled group<sup>3</sup>. For 2015 only, medium-sized employers (50-99 FTEs) may qualify for relief from the employer mandate, subject to certain rules<sup>4</sup>. However, these employers are still required to comply with reporting requirements for 2015 and certify eligibility for the relief on Form 1094-C.

## “No Coverage” Penalty

This penalty applies when an ALE does not offer at least **95%** of FTEs and their dependent children a group health plan (i.e., MEC) and at least one FTE receives a subsidy in the Marketplace to purchase qualified health plan coverage.

The penalty is \$166.67/month (or \$2,000/year) multiplied by the total number of FTEs – **30**.

## “Offer Coverage” Penalty

This penalty applies when an ALE offers at least **95%** of FTEs and their dependent children a group health plan (i.e., MEC) but the coverage is not affordable<sup>5</sup>, does not provide minimum value<sup>6</sup>, or excludes **5%** or fewer FTEs and one (or more) of those FTEs receive a subsidy in the Marketplace.

The penalty is the lesser of:

- \$250/month (or \$3,000 annually) multiplied by each FTE who receives a subsidy in the Marketplace to purchase health insurance coverage; or
- the “No Coverage” penalty.

For 2015 only, an ALE may use **70%** (as opposed to 95%) and **80** (as opposed to 30) to determine liability under the “No Coverage” penalty. However, this relief is not available if the employer changed a non-CY plan after February 9, 2014 to begin at a later date. Employers eligible for transition relief may use **30%** (as opposed to **5%**) to determine its “Offer Coverage” penalty exposure in 2015.

*The penalty amounts may be adjusted for inflation – no adjustment has been announced for 2015. Penalties are assessed monthly, but paid annually.*

3 For purposes of determining whether an employer is a large employer, all persons treated as a single employer under Code §414(b), (c), (m), or (o) are considered to be employed by a single employer. Consult with counsel or tax advisors on questions of common ownership or controlled group participation.

4 Medium Sized Employer Relief. Certain medium sized employers may delay the application of the employer mandate until the first plan year that begins in 2016 (e.g., January 1, 2016 for a calendar year plan). This relief is available only if the employer did not modify the plan year after February 9, 2014 to begin on a later calendar date and if the employer satisfies all of the following conditions:

- a. Limited Workforce Size The employer employs on average at least 50 but fewer than 100 FTEs (including full-time equivalent employees) on business days during 2014.
- b. Maintenance of Workforce and Aggregate Hours of Service. Between February 9, 2014 and ending on December 31, 2014, the employer does not reduce the size of its workforce or employees’ hours of service to satisfy the workforce size condition.
- c. Maintenance of Previously Offered Health Coverage The employer does not eliminate or materially reduce the health coverage, if any, it offered as of February 9, 2014.
- d. Certifies eligibility for relief on Form 1094-C..

5 Coverage is affordable if the cost for self-only coverage does not exceed 9.5% of household income for the lowest cost minimum value plan. The regulations provide three safe harbors (W-2, FPL and rate of pay) that may be used to determine affordability.

6 Minimum value (MV) means a plan that covers at least 60% of the total allowed cost of benefits that are expected to be incurred by the plan. Guidance provides four ways to satisfy this threshold (MV calculator, safe harbor plan designs, actuarial certification and any metal coverage purchased in a Marketplace).

# What Information To Collect

## Basic Information (1094-C and 1095-C)

- ☐ Name, EIN, address, contact person and phone number for the employer.
- ☐ If part of a controlled group, name and EIN of other employer members.
- ☐ If health plan coverage is offered, funding status during the calendar year (insured or self-insured).
- ☐ Calendar year (CY) reported (e.g., 2015).
- ☐ Name, address, tax identification number (usually the social security number) for each FTE.

## Employer Information Reported on a Monthly Basis

- ☐ Was MEC offered to at least 95% of FTEs and children to age 26 for each month of CY?
- ☐ Total number of FTEs for each month of the CY.
- ☐ Total number of all employees (this includes all FTEs and non FTEs and employees in a limited non-assessment period<sup>7</sup>) for each month of the CY.
- ☐ 2015 transition relief eligibility: medium sized employer relief or 70%/80 relief.

## Full-Time Employee Information Reported on a Monthly Basis

- ☐ Each FTE for the CY – this means any employee who is considered full-time for at least one month during the CY
- ☐ The health plan coverage, if any, offered to the FTE (and any family members) each month of the CY (e.g., self only, self+ family, no coverage offered)
- ☐ The self-only premium an employee must pay for the lowest-cost plan that provides minimum value.
- ☐ The reason why an employer would not be subject to a penalty for a particular month (e.g., employee in waiting period, employee in initial measurement period, affordability safe harbor applies).
- ☐ The months for which the employer relied on non-CY relief with respect to FTEs.

## If Self-Insured, Covered Employee/Individual Information Reported on a Monthly Basis

- ☐ Names, SSN (or tax identification number of non-employees), and months of coverage for any covered employee/individual (e.g., retiree or COBRA qualified beneficiary) and family members during the CY. The months for which the employer relied on non-CY relief with respect to FTEs.

<sup>7</sup> A limited non-assessment period includes: an Initial Measurement Period and associated Initial Administrative Period, the first calendar month of employment if the employee is not hired on the first day of the month, the period following change in status to FT during IMP, and/or the waiting period.



# Form 1094-C

## Overview

Form 1094-C is the summary form used to transmit all Forms 1095-C to the IRS. It provides specific employer-level data.

## How to Complete Form 1094-C

### PART I

**Form 1094-C** Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

Department of the Treasury Internal Revenue Service

Information about Form 1094-C and its separate instructions is at [www.irs.gov/ff1094c](http://www.irs.gov/ff1094c).

OMB No. 1545-0047

2014

**Part I Applicable Large Employer Member (ALE Member)**

1 Name of ALE Member (Employer)		2 Employer identification number (EIN)
3 Street address (including room or suite no.)		
4 City or town	5 State or province	6 Country and ZIP or foreign postal code
7 Name of person to contact		8 Contact telephone number
9 Name of Designated Governmental Entity (only if applicable)		10 Employer identification number (EIN)
11 Street address (including room or suite no.)		
12 City or town	13 State or province	14 Country and ZIP or foreign postal code
15 Name of person to contact		16 Contact telephone number
17 Reserved		
18 Total number of Forms 1095-C submitted with this transmittal		

**For Official Use Only**

17 Reserved

18 Total number of Forms 1095-C submitted with this transmittal

**Lines 1-7.** Complete the name of the large employer, the employer's tax identification number (EIN), address, and the name and phone number of a contact person responsible for answering any questions.

**Lines 9-16.** Complete these lines only if a Designated Governmental Entity (DGE) filing on behalf of an employer. Otherwise skip these lines. Non-governmental employers will always skip Lines 9-16. For more information refer to the instructions.

**What's a DGE?** DGE is a person or persons that are part of or related to the Governmental Unit<sup>8</sup> that is the ALE Member and that is appropriately designated for purposes of these reporting requirements. In the case of a Governmental Unit that has delegated some or all of its reporting responsibilities to a DGE with respect to some or all of its employees, one Authoritative Transmittal must still be filed for that Governmental Unit reporting aggregate employer-level data for all employees of the Governmental Unit (including those for whom the Governmental Unit has delegated its reporting responsibilities). Note, special rules apply if there is self-insured health plan coverage and the employer delegates responsibilities to the DGE. Review the instructions.

**Line 17.** Reserved for future use, do not complete.

<sup>8</sup> A Governmental Unit is the government of the United States, any state or political subdivision thereof, or any Indian tribal government (as defined in section 7701(a)(40)) or subdivision of an Indian tribal government (as defined in section 7871(d)). For purposes of these instructions, references to a Governmental Unit include an Agency or Instrumentality of a Governmental Unit. Until guidance is issued that defines the term Agency or Instrumentality of a Governmental Unit for purposes of section 6056, an entity may determine whether it is an Agency or Instrumentality of a Governmental Unit based on a reasonable and good faith interpretation of existing rules relating to agency or instrumentality determinations for other federal tax purposes.



Line 18. Enter the total number of Forms 1095-C that are submitted with this Form 1094-C. For example, if the employer generates 200 Forms 1095-C, 200 will go in Line 18.

## PART II

**Part II ALE Member Information**

19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions ☐

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member

21 Is ALE Member a member of an Aggregated ALE Group? ☐ Yes ☐ No

If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

☐ A. Qualifying Offer Method ☐ B. Qualifying Offer Method Transition Relief ☐ C. Section 4980H Transition Relief ☐ D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature  Title  Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 61571A Form 1094-C (2014)

**Line 19.** Mark this box if the Form 1094-C serves as the Authoritative Transmittal that reports aggregate employer-level data for the employer. Check this box in Line 19 if this Form 1094-C is the only Form 1094-C being filed for the employer.

However, if multiple Forms 1094-C are being filed for the employer so that Forms 1095-C for all FTEs of the employer are not attached to a single Form 1094-C transmittal (because some of the Forms 1095-C are being transmitted separately), one of the Forms 1094-C associated with the employer must be designated as the Authoritative Transmittal and report aggregate data.

**When might an employer have multiple Forms 1094-C?** A single employer may have two divisions (e.g., Washington and California) and decide instead of using a single 1094-C to transmit all of the Forms 1095-C to the IRS, the employer will file separate Forms 1094-C for each of its two divisions to transmit the Forms 1095-C for their respective FTEs in each division. In this case, one of the Forms 1094-C must be designated as the Authoritative Transmittal and report aggregate employer data for both divisions in Parts II, III and IV, as applicable.<sup>9</sup>

Note, in the case of a controlled group (an aggregated ALE), each member of the controlled group (each ALE member) must file its own authoritative transmittal. The various employers under common control may not submit one Authoritative Transmittal.

These rules also apply to DGE.<sup>10</sup>

<sup>9</sup> Likely, most employers will not have multiple Forms 1094-C. However, if an employer takes that approach, consider the following example:

ABC company is a single employer (not part of controlled group). It has two divisions, Washington and California. The Washington division has 200 Forms 1095-C and the California division has 100 Forms 1095-C. Each division will submit its own 1094-C and applicable Forms 1095-C. The Washington division acts as the authoritative transmittal for the employer. Therefore:

The 1094-C for the California division will reflect 100 as the number of Forms 1095-C submitted with this transmittal (Line 18). California will not check Line 19 and will not complete Lines 20-22 or Part III or IV (if applicable).

The 1094-C for Washington will reflect 200 as the number of Forms 1095-C submitted with this transmittal (Line 18). Washington will check Line 19 on Form 1094-C and complete Lines 20-22. Line 20 will reflect 300, the total number of Forms filed on behalf of the employer (the two divisions combined). Washington will sign the 1094-C and complete Parts III and Part IV (if applicable).

<sup>10</sup> **Example.** County is an ALE made up of ALE Members School District, Police District, and County General Office. School District designates the state to report on behalf of the teachers and reports for itself for its remaining FTEs. In this case, either the School District or the state must file an Authoritative Transmittal reporting aggregate employer-level data for all FTEs of the School District.

If Line 19 is checked, complete the rest of Part II (Lines 20-22 and signature) and Parts III and IV, as applicable. If Line 19 is not checked, sign the Form, but do not complete Lines 20-22 or Parts III and IV.

**Line 20.** Enter the total number of Forms 1095-C that will be filed by, or on behalf of, the employer. This includes all Forms 1095-C filed with respect to this transmittal, including any individuals covered by a self-insured health plan. This number should match the number reflected in Line 18, unless the employer is required to aggregate employer data as the Authoritative Transmittal for multiple Forms 1094-C.

**Line 21.** If, during any month of the CY the employer was a member of a controlled group (also referred to as an Aggregated ALE Group) check the box in Line 21. You will also need to complete Part III, column (d) and Part IV to list the other members of the controlled group. If the employer was not a member of a controlled group during the calendar year, do not check this box and do not complete Part III, column (d) and Part IV.

**Line 22.** If the employer meets the eligibility requirements and is using one of the Offer Methods, the employer must check either box "A," "B," or "D." See appendix for further discussion. If the employer qualifies for and uses the medium-sized employer transition relief or the 70%/80 transition relief, the employer must check box "C" on Line 22 and complete Part III column (e).

**PART III** — Do not complete any of Part III if the 1094-C is not the authoritative transmittal

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Form 1094-C (2014)

<b>Part III ALE Member Information – Monthly</b>							
		(a) Minimum Essential Coverage Offer Indicator		(b) Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No				
<b>23</b>	All 12 Months	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>24</b>	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>25</b>	Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>26</b>	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>27</b>	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>28</b>	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>29</b>	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>30</b>	July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>31</b>	Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>32</b>	Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>33</b>	Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>34</b>	Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
<b>35</b>	Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Form 1094-C (2014)

**Column (a).** If an employer offers MEC to at least 95% of FTEs and their children to age 26 for the entire CY, mark the “Yes” box in Line 23. If such coverage was not offered for the entire CY, mark “No” on Line 23 to reflect all 12 months.

If an offer of coverage to at least 95% of FTEs and their children was made for some, but not all, months of the CY mark either “Yes” or “No” in the appropriate check box for each month (Lines 24-35).

**2015 70%/80 Relief.** If an employer did not offer MEC to at least 95% of FTEs and their children to age 26 but is eligible for the 70%/80 transition relief, mark “Yes” in column (a) for each applicable month (or for the entire CY). Use code “B” in column (e).

**Employees in a limited non-assessment period.** For purposes of determining the 95% threshold (or 70% threshold for 2015) do not count employees in a limited non-assessment period.

**4980H Transition Relief for Dependent Coverage.** An employer may check “Yes” in column (a) if taking advantage of limited relief available when an offer of coverage to children was not made. For the 2014 and 2015 plan years, for an employee who was not offered dependent health coverage during the 2013 or 2014 plan years, an employer may treat, solely for purposes of section 4980H, an offer of health coverage to an FTE but not his or her dependents, as an offer of health coverage to the FTE and his or her dependents, if the employer takes steps during the 2014 or 2015 plan year (or both) to extend coverage under the plan to dependents not offered coverage during the 2013 or 2014 plan year (or both). An employer using this transition relief for a calendar year is not eligible to report using the Qualifying Offer Method (or the Qualifying Offer Transition Relief Method) for that CY (see appendix).

**Column (b).** Enter the number of FTEs for each month. Note this must be reported on a monthly basis (Lines 24-35). Do not count any employee who is in a limited non-assessment period. Do not use a single count for a 12-month period.

**Column (c).** Enter the total number of employees, including FTEs, non-FTEs and employees in a limited non-assessment period for each calendar month. An employer may choose one of the following days to determine this count per month and must use the same day for all months of the year:

- The first day of each month,
- The last day of each month,
- The first day of the first payroll period that starts during each month, or
- The last day of the first payroll period that starts during each month provided that for each month that last day falls within the calendar month in which the payroll period starts.

While unlikely, if the total number of employees was the same for every month of the entire CY, enter that number in column (c), Line 23. Otherwise reflect the count for each month in column (c), Lines 24-35.

**Column (d).** If the employer is part of a controlled group (Line 21, Part II should be checked), then reflect each month the employer was a member of the controlled group in column (d). If part of a controlled group for all 12 months of the calendar year, use the box in Line 23. The employer will also need to complete Part IV. If the employer is not a part of a controlled group, leave column (d) blank.

**Column (e).** If the employer marked Line 22, box “C”; the employer must certify eligibility for the medium sized employer relief by entering code “A” in column (e). If the employer is eligible for the 70%/80, then use code “B” in column (e).

Do not complete any of Part III if the 1094-C is not the authoritative transmittal.

**PART VI** — Do not complete any of Part IV if the 1094-C is not the authoritative transmittal

Form 1094-C (2014)

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**Part IV Other ALE Members of Aggregated ALE Group**

Enter the names and EINs of Other ALE Members of the Aggregated ALE Group (who were members at any time during the calendar year).

Name	EIN	Name	EIN
36		51	
37		52	
38		53	
39		54	
40		55	
41		56	
42		57	
43		58	
44		59	
45		60	
46		61	
47		62	
48		63	
49		64	
50		65	

Form **1094-C** (2014)

**Lines 36-65.** If part of a controlled group (aggregated ALE) list the name and EIN of other employers in the controlled group (aggregated ALE).

Do not complete Part IV if the employer is not part of a controlled group (aggregated ALE).

Do not complete any of Part IV if the 1094-C is not the authoritative transmittal.

# Form 1095-C

## Overview

All ALEs must complete one Form 1095-C for each FTE. This means that each FTE who was an FTE for at least one month of the calendar year must receive a Form 1095-C with respect to the calendar year. Form 1095-C is used to report information about each FTE for purposes of the employer mandate. It is also used to determine an employee's eligibility for a premium tax credit in the Marketplace.

Employers that offer self-insured health plan coverage will also use Form 1095-C to report information regarding MEC to the IRS and to covered individuals under the employer-sponsored self-insured plan. This demonstrates that a covered individual is not liable for a shared responsibility payment under the individual mandate for the months the individual (and/or a spouse and dependants) are covered by the self-insured health plan.

As described earlier, Forms 1095-C are transmitted to the IRS by the employer using Form 1094-C. In addition, the employer must provide a copy to each FTE and any covered employee/individual in a self-insured health plan. Alternative statements to issuing the Form 1095-C to the employee are permitted, subject to specific rules described in the appendix. Generally, most employers will furnish the Form 1095-C as opposed to an alternative statement.

## How to Complete Form 1095-C

### PART I

Form <b>1095-C</b> Department of the Treasury Internal Revenue Service		<b>Employer-Provided Health Insurance Offer and Coverage</b> ► Information about Form 1095-C and its separate instructions is at <a href="http://www.irs.gov/1095c">www.irs.gov/1095c</a> .		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED	OMB No. 1545-0047 <b>2014</b>
<b>Part I Employee</b>				<b>Applicable Large Employer Member (Employer)</b>	
1 Name of employee		2 Social security number (SSN)		7 Name of employer	
3 Street address (including apartment no.)		4 City or town		5 State or province	
6 Country and ZIP or foreign postal code		8 City or town		9 State or province	
10 Country and ZIP or foreign postal code		11 City or town		12 State or province	
13 Country and ZIP or foreign postal code		14 City or town		15 State or province	
16 Country and ZIP or foreign postal code		17 City or town		18 State or province	

**Lines 1-7.** Lines 1-6. Enter the name of the employee, the employee's social security number (SSN), and complete address.

**Lines 7-13.** Enter the employer's name, EIN, address, a contact person's phone number (who to call about the information reported on the form). This information should be the same as what is reported in Part I of Form 1094-C.

### PART I

<b>Part II Employee Offer and Coverage</b>													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

**Line 14.** Offer of Coverage. This line reflects the employer's offer of coverage, if any, for each month of the CY through the use of the Series 1 Codes. If the same Code applies for all 12 months, enter the applicable Code in the

“All 12 Months” section. A Series 1 Code must be entered for each month of the CY (January – December), even if the employee was not an FTE for one or more calendar months. Enter the Code identifying the type of health coverage actually offered by the employer to the employee, if any. A list of codes follows.

## Series 1 Codes - Offer of Coverage and Line 15

1A	Qualifying Offer. MEC providing minimum value (MV) offered to FTE with employee contribution for self-only coverage equal to or less than 9.5% mainland single federal poverty line (\$93.18 for 2015) and at least MEC offered to spouse and dependent(s).	<ul style="list-style-type: none"> <li>This code may be used to report for specific months for which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the CY.</li> <li>Leave Line 15 blank.</li> </ul>
1B	MEC providing MV offered to employee only.	<ul style="list-style-type: none"> <li>Enter the amount of the lowest cost, self-only coverage in Line 15.</li> </ul>
1C	MEC providing MV offered to employee and at least MEC offered to dependent(s) (not spouse).	<ul style="list-style-type: none"> <li>Enter the amount of the lowest cost, self-only coverage in Line 15.</li> </ul>
1D	MEC providing MV offered to employee and at least MEC offered to spouse (not dependent(s)).	<ul style="list-style-type: none"> <li>Enter the amount of the lowest cost, self-only coverage in Line 15.</li> </ul>
1E	MEC providing MV offered to employee and at least MEC offered to dependent(s) and spouse.	<ul style="list-style-type: none"> <li>This is likely a commonly used Code.</li> <li>Enter the amount of the lowest cost, self-only coverage in Line 15.</li> </ul>
1F	MEC NOT providing MV offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.	<ul style="list-style-type: none"> <li>This is likely a commonly used Code.</li> <li>Enter the amount of the lowest cost, self-only coverage in Line 15.</li> </ul>
1G	MEC NOT providing MV offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.	<ul style="list-style-type: none"> <li>Applicable for part time employees enrolled in self-insured plans.</li> <li>Use this Code to report covered employees who are NOT full-time and/or non-employees offered coverage under the self-insured plan (e.g., retiree, COBRA qualified beneficiary)</li> <li>Leave Line 15 blank</li> </ul>
1H	No offer of coverage (employee not offered any health coverage or employee offered coverage that is not MEC).	<ul style="list-style-type: none"> <li>Employers that do not offer health insurance coverage or offer coverage that is not MEC (e.g., only a dental plan).</li> <li>Leave Line 15 blank.</li> </ul>
1I	Qualifying Offer Transition Relief 2015. Employee (and spouse or dependents) received either: (1) no offer of coverage, (2) an offer that is not a qualifying offer, or (3) a qualifying offer for less than 12 months.	<ul style="list-style-type: none"> <li>See Appendix.</li> <li>Leave Line 15 blank.</li> </ul>

**Line 15. Affordability.** Line 15 must be completed if Codes 1B, 1C, 1D or 1E are used in Line 14. Otherwise, leave blank. Enter the amount of the employee’s share of the lowest cost premium for self-only, minimum value coverage. If no employee contribution is required for the lowest cost MV plan (i.e., it’s 100% employer paid), enter “0.00”. If the employee’s share is the same for all 12 months of the CY, use the “all 12 Months” box. The amount reflected in Line 15 may not necessarily be the amount the employee is actually paying for coverage.

For example, the employer offers two health plans. The employee’s share of the lowest cost premium for self-only, minimum value coverage is \$100/month. This FTE elects a benefit option that is \$200/month. For this FTE, the amount reflected in Line 15 is \$100, even though the FTE is paying \$200/month for coverage.



**Line 16. Safe Harbor.** The Series 2 Codes are used to report one or more months during the calendar year where the employer may not be subject to a penalty under the employer mandate either due to the employee's actual enrollment in MEC or certain relief. For each FTE (and any covered employee/individual in a self-insured plan), the employer will need to identify any Series 2 Code that may be applicable. In some cases multiple Series 2 Codes may be applicable, and an ordering rule applies (illustrated below). If no Series 2 Codes apply for a month, leave the box blank.

## Series 2 Codes - Offer of Coverage and Line 16

2A	<b>Employee not employed during the month.</b> Enter code 2A if the employee was not employed on any day of the calendar month.	<ul style="list-style-type: none"> <li>Do not use code 2A for a month if the individual was an employee of the employer on any day of the calendar month.</li> <li>Do not use code 2A for the month during which an employee terminates employment with the employer.</li> </ul>
2B	<b>Employee not an FTE.</b> Enter code 2B if the employee is not an FTE for the month AND did not enroll in MEC, if offered for the month. <sup>11</sup>	<ul style="list-style-type: none"> <li>Also use this code for January 2015 if the employee was offered health coverage no later than the first day of the first payroll period that begins in January 2015 and the coverage offered was affordable and provided minimum value.</li> </ul>
2C	<b>Employee enrolled in coverage offered.</b> Enter code 2C for any month in which the employee enrolled in health coverage offered by the employer for each day of the month, regardless of whether any other code in Code Series 2 might also apply.	<ul style="list-style-type: none"> <li>Code 2C trumps any other Series 2 Code that may be relevant.</li> <li>This is also used for any covered employee/individual in a self-insured health plan.</li> </ul>
2D	<b>Employee in a limited non-assessment period.</b> Enter code 2D for any month during which an employee is in a Limited Non-Assessment Period. This includes an Initial Measurement Period (IMP) and associated Initial Administrative Period, the first calendar month of employment if the employee is not hired on the first day of the month, the period following change in status from non-FTE to FTE during an IMP and/or the waiting period.	<ul style="list-style-type: none"> <li>Do not use 2B (not an FTE).</li> </ul>
2E	<b>Multiemployer interim rule relief.</b> Enter code 2E for any month for which the multiemployer interim guidance applies for that employee.	<ul style="list-style-type: none"> <li>Do not use 2D if the employer can use Code 2E.</li> </ul>
2F	<b>Form W-2 safe harbor.</b> Enter code 2F if the employer used the Form W-2 safe harbor to determine affordability for this employee for the year.	<ul style="list-style-type: none"> <li>Do not use if employee enrolled in the coverage offered (2C).</li> <li>If an employer 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.</li> <li>Do not use if 2E can be used (multiemployer relief).</li> </ul>

<sup>11</sup> Use code 2B if the employee is an FTE for the month and whose 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 (so that the offer of coverage or coverage would have continued if the employee had not terminated employment during the month).



- 2G **FPL Safe Harbor.** Enter code 2G if the employer used the FPL safe harbor to determine affordability for this employee for any month of the CY.
- Do not use if employee enrolled in the coverage offered (2C).
  - Do not use if 2E can be used (multiemployer relief).
- 2H **Rate of pay safe harbor.** Enter code 2H if the employer used the rate of pay safe harbor to determine affordability for this employee for any month of the CY.
- Do not use if employee enrolled in the coverage offered (2C).
  - Do not use if 2E can be used (multiemployer relief).
- 2I **Non-calendar year transition relief applies to this employee.**
- Applies only for non-calendar year plans that qualify for this relief.
  - Applies only with respect to the months during the CY prior to the start of the plan year (e.g., June 1 plan year, 2I may be used to report relief for January – May).

## PART III

**Part III Covered Individuals**  
If Employer provided self-insured coverage, check the box and enter the information for each covered individual. ☐

(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Complete Part III ONLY if the employer offers a self-insured group health plan in which the employee or other individual is enrolled. If the employer completes Part III it must indicate self-insured coverage by checking the box at the top of the section. Employers sponsoring an insured arrangement will leave this section blank as the carrier is responsible.

This part must be completed by an employer offering self-insured health plan coverage for any individual who was an employee for one (or more) calendar month(s) of the year and who enrolled in the coverage **regardless** of full-time status. In addition, if non-employees are covered by the self-insured plan, an employer may use Form 1095-C (as opposed to Forms 1094-B and 1095-B) to report MEC for these individuals. This may include certain retirees or COBRA qualified beneficiaries or non-employee members of the board of directors who have coverage under the self-insured health plan.<sup>12</sup> Note, the employer must still complete Parts I and II with respect to these individuals. Use Code 1G in Line 14 to reflect the offer of coverage for a non-employee or a part-time employee.

<sup>12</sup>If self-insured coverage is offered to these non-employees, there are additional compliance considerations that should be reviewed, including potential MEWA and tax implications of offering coverage to non-employee board of director members, potential for uncovered claims if not appropriately contracted for in the stop loss agreement, assurance that the plan terms permit such coverage and potential for 105(h) discrimination violations in the event that such coverage is extended only to former highly compensated employees.

**Lines 17-22.** Complete the name and social security number of each covered individual (e.g., employee, spouse and children). For individuals other than the employee listed in Part I, a tax identification number may be provided. If SSN is not available, a date of birth (DOB) may be used if a reasonable effort to collect the SSN is made.<sup>13</sup> Check the applicable boxes to reflect the months the individuals are enrolled in the self-insured health plan during the CY.

## Filing and Distributing the Forms

### FORM 1094-C

Forms 1094-C and all Forms 1095-C are filed with the IRS by February 28 if filing on paper (or March 31 if filing electronically) of the year following the calendar year to which the return relates. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

For CY 2015, these Forms are **due to the IRS by February 29, 2016 (as the 28th is a Sunday), or March 31, 2016 if filing electronically.**

Form 1094-C and Form 1095-C are subject to the requirements to file returns electronically. Filers of 250 or more information returns must file the returns electronically. The 250-or-more requirement applies separately to each type of return and separately to each type of corrected return.

### FORM 1095-C

The requirement to furnish Form 1095-C to an employee is satisfied if the form is properly addressed and mailed on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

Generally, Forms 1095-C are due to employees by January 31 of the year following the calendar year to which the return relates.

For CY 2015, the 1095-C is **due to employees by February 1, 2016 (as January 31 is a Sunday).**

Unless an alternative furnishing method is available (see *Appendix*), the employer will provide a copy of the Form 1095-C to each FTE (i.e., an FTE for at least one month during the calendar year). In addition, if the health plan is self-insured, the employer must provide a copy to each individual who had coverage for at least one month during the calendar year.

Statements must be furnished on paper by mail, unless the recipient affirmatively consents to receive the statement in an electronic format. If mailed, the statement must be sent to the employee's last known permanent address, or if no permanent address is known, to the employee's temporary address.

**Consent to furnish statement electronically.** An employer is required to obtain affirmative consent to furnish a statement electronically. This requirement ensures that statements are furnished electronically only to individuals who are able to access them. An individual may consent on paper or electronically, such as by email. If consent is on paper, the individual must confirm the consent electronically. A statement may be furnished electronically by email or by informing the individual how to access the statement on the employer's website. Consent to receive a Form W-2 electronically does not transfer to Form 1095-C delivery. A separate consent identifying the Form 1095-C is needed.

<sup>13</sup> To demonstrate a reasonable effort, the employer must satisfy the following steps:

- Initial solicitation at the time the relationship with the covered individual(s) is established (e.g., upon hire or initial enrollment);
- If unsuccessful, an annual solicitation must be made by Dec. 31 of the same year;
- If still unsuccessful, a second solicitation is required by Dec. 31 of the following year;
- If still unsuccessful, no penalties applied if a DOB is used in lieu of a SSN.

Use of a truncated SSN is permitted for Forms 1095-C that are provided to covered individuals. However, truncated SSNs are not permitted on Forms 1095-C submitted to the IRS.

## PENALTIES FOR NONCOMPLIANCE WITH THESE INFORMATION REPORTING REQUIREMENTS

Generally, if Forms 1094-C and/or Forms 1095-C are incorrect and incomplete, a penalty may apply if not corrected by the due date and the employer cannot show reasonable cause. The penalties are the same as under the rules for Forms W-2. Briefly, the amount of penalties can range from \$50/form with a \$500,000 maximum penalty/year to \$250/form with a maximum penalty of \$3M/year (these are referred to as the 6721 and 6722 penalties).

### *Limited Relief for CY 2015*

- The IRS will not impose penalties on large employers that can show that they have made good faith efforts to comply with the information reporting requirements. Specifically, relief is provided from penalties described above for returns and statements filed and furnished in 2016 to report offers of coverage in 2015 for incorrect or incomplete information reported on the return or statement. However, no relief is provided if the large employer cannot show a good faith effort to comply with the information reporting requirements or that fail to timely file an information return or furnish a statement.
- However, consistent with existing information reporting rules, ALE members that fail to timely meet the requirements still may be eligible for penalty relief if the IRS determines that the standards for reasonable cause under section 6724 are satisfied.

### *CY 2016 and Thereafter*

The penalty under section 6721 may apply to an ALE member that fails to file timely information returns, fails to include all the required information, or includes incorrect information on the return. The penalty under section 6722 may apply to an ALE member that fails to furnish timely the statement, fails to include all the required information, or includes incorrect information on the statement. The waiver of penalty and special rules under section 6724 and the applicable regulations, including abatement of information return penalties for reasonable cause, may apply to certain failures under section 6721 or 6722. Discuss penalties with tax advisors.

## ADDITIONAL INFORMATION

### **Third party assistance.**

Reporting arrangements between a large employer and carriers or other parties (e.g., TPA, payroll provider) are not prohibited. However, entering into a reporting arrangement does not transfer a large employer's potential liability under section 4980H and does not transfer the potential liability for failure of the employer to file returns and furnish statements under section 6056. If a person who prepares 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.

### **Employers under Common Control (multiple ALE members)**

Each large employer under a controlled group is responsible for reporting under section 6056. Generally, each large employer must file separate section 6056 returns providing that employer's EIN. If more than one third party is facilitating reporting for an large employer in the controlled group, there must be only one Authoritative Transmittal (noted on Form 1094-C) reporting aggregate employer-level data for all FTEs of that large employer. Additionally, there must be only one section Form 1095-C for each FTE with respect to employment with that ALE member.

14 In addition, large employers that fail to timely meet the requirements still may be eligible for penalty relief if the IRS determines that the standards for reasonable cause.

# Appendix A

## Form 1094-C Part II, Line 22 (A), (B) and (D)

22 Certifications of Eligibility (select all that apply):

☐ A. Qualifying Offer Method    ☐ B. Qualifying Offer Method Transition Relief    ☐ C. Section 4980H Transition Relief    ☐ D. 98% Offer Method

The guidance provides three methods that will slightly reduce these reporting requirements and, in some cases, provide an alternative to furnishing the Form 1095-C to the employee. These options DO NOT eliminate the employer's responsibility to complete and file Forms 1094-C and 1095-C with the IRS.

### QUALIFYING OFFER METHOD – BOX A

An employer may use this method when a qualifying offer is made to one or more FTEs for all months during the CY (January – December). An offer is considered a qualifying offer if:

- The offer is made for all 12 months of the CY,
- The employee contribution for self-only coverage that meets MV does not exceed \$93.18/month, and
- There is an offer of MEC to a spouse and dependents, if applicable.

The furnishing method described below only applies to FTEs who received the qualifying offer for all 12 months of the CY.

What relief does this method actually provide?

- Do not report the self-only employee premium cost for the lowest cost MV plan on Line 15 of 1095-C. Instead use Code 1A in Line 14 of 1095-C.
- Instead of providing participants the 1095-C, an employer may furnish a “qualifying offer statement” that includes:
  - Employer name, address, EIN,
  - A contact name, and phone number at which the employee may receive more information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employee.
  - A statement indicating that, for all 12 months of the CY, the employee and his/her spouse, and dependents, if any, received a qualifying offer and therefore are not eligible for premium tax credit.
  - A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information on eligibility for the premium tax credit.

**Important note for employers with self-insured health plans.** If the employer sponsors a self-insured plan, the alternative “qualifying offer statement” described above CANNOT be used for any employee who is covered by the self-insured health plan. These employees must receive a Form 1095-C.

## QUALIFYING OFFER METHOD TRANSITION RELIEF – BOX B

Qualifying Offer Method Transition Relief is available for CY 2015 only. To use this method, an employer must certify that a qualifying offer of coverage (as described above) was made to at least 95% of FTEs.

What relief does this method actually provide?

- Do not report the self-only employee premium cost for the lowest cost MV plan on Line 15 of 1095-C. Instead, in Line 14 of Form 1095-C, use Code 1A for any months for which the employee received a qualifying offer or 1I for any month for which the employee did not receive the qualifying offer.
- Provide each FTE who received the qualifying offer for all 12 months of the CY with either a copy of their 1095-C, or the “qualifying offer statement” previously described.
- Solely for 2015, for any employee of an employer eligible for the Qualifying Offer Method Transition Relief who does not receive a qualifying offer for all 12 calendar months, including employees who receive no offer, the employer may, in lieu of providing the employee with a copy of Form 1095-C, furnish a statement containing the following information.
  - Employer name, address, EIN,
  - A contact name and phone number at which the employee may receive more information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employees.
  - A statement indicating that the employee, his or her spouse and dependents, if any, may be eligible for a premium tax credit for one or more months of 2015.
  - A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information on eligibility for the premium tax credit.

Important note for employers with self-insured health plans. If the employer sponsors a self-insured plan, the alternative “qualifying offer statement” described above CANNOT be used for any employee who is covered by the self-insured health plan. These employees must receive a Form 1095-C.

## 98% METHOD – BOX D

To use this method, an employer must certify that it offered, for all months of the CY, affordable coverage providing minimum value to at least 98% of its employees for whom it is filing a 1095-C and offered MEC to those employees’ dependents. The employer is not required to identify which of the employees for whom it is filing were FTEs, but the employer is still required to file Forms 1095-C on behalf of all of its FTEs (and any employees/individuals covered by a self-insured plan). Health coverage is deemed affordable if the employer meets one of the available safe harbors (W-2, FPL, rate of pay).

What relief does this method actually provide?

- No need to complete the FTE count on 1094-C, Part III, column (b).