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# COMPLIANCE GUIDE: 1095-Cs

The IRS Form 1095-C was created with the enactment of the Affordable Care Act (ACA). To stay compliant under this federal law, companies must provide an option for health insurance to their employees if they are considered an “applicable large employer,” or ALE.

## WHAT IS AN ALE?

An ALE, or Applicable Large Employer, is a company that employs 50 or more full-time workers or equivalents. According to the ACA, a full-time employee is someone that works 30 or more hours per week.

To prevent companies from only hiring part-time employees, ACA has the concept of full-time equivalents (FTE). The government calculates the hours each employee works and divides that by 30.

*Example: If you have 10 employees who work 12 hours a week, that's a total of 120 hours. If you divide 120 hours by 30, you're left with 4, which is the number of full-time equivalent employees your company has.*

If your company reaches the magic number of 50, you're responsible for offering health insurance to employees, and by default, are mandated to also provide each employee with an IRS Form 1095-C.

## WHAT IS FORM 1095-C?

The IRS Form 1095-C acts as a mechanism for the employer to describe the coverage that was made available to each employee. What the form identifies is:

- The employee/employer relationship
- What months the employee was eligible for coverage
- The cheapest monthly premium the employee was eligible to pay under the plan offered

The form is distributed to all employees as well as the IRS to indicate that they were offered insurance. The form also shows if an employee wasn't offered insurance and that could leave the ALE liable for financial penalties.

## KEY FILING DATES:

- Distributed to employees by March 2nd.
- Sent to the IRS in paper form by February 28th if they're under 250 employees
- Sent to the IRS electronically by March 31st if they're over 250 employees

*To see how BerniePortal can help you streamline all of your HR and benefits administration processes, including organizing and filing 1094/1095-Cs, watch our virtual product tour.*

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