



The Essential Guide to ACA Compliance & Reporting

What Employers Need to Know About
ACA & Shared Responsibility Reporting

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Tracking: Coverage Eligibility



Who is Eligible for Coverage?

A lot goes into ACA compliance, but many employers fear the financial penalties most. Are you aware of the many ways you could be noncompliant and not even realize it?

As an employer or HR professional, you need to know who is eligible for coverage under the ACA. Sometimes employees slip under the radar—resulting in big financial penalties for employers.

Let's look at who is eligible for coverage and how to avoid ACA penalties from offers of coverage.

Misclassifying Employees for Benefits

Eligibility

Employees reach full-time status when hours of service equal 30 plus hours in one week or 130 hours in one month. Tracking time for full-time employees may seem simple. Tracking time for seasonal or variable-hour workers can get complicated.

If you miscalculate an employee's hours of service, you may mark that employee as a part-time. If you misclassify an employee as part time instead of full time, you could miss a coverage offer. If you miss a coverage offer, you face financial penalties with the IRS.

Miscalculating hours of service equals IRS penalties.

How to Avoid Misclassifying Employees for Benefits Eligibility

- Know which employees are eligible for coverage and when (including employees' dependents).
- Know the various periods for time tracking: Measurement Period, Administrative Period, and Stability Period.
- Get the right system: be confident in tracking employee time when you use an ACA time-tracking module.
- Receive alerts when employees have scheduled hours that would put them over the benefits eligibility limit.

Failure to Account for Leave (Paid and Unpaid)

Don't miss a key phrase in full-time employee qualification. A full-time employee is any employee whose hours of service equals 30 or more hours in one week.

Hours of service and hours of work are not the same thing. Hours worked equals actual hours clocked by an employee. Hours of service can include paid vacation and holidays and unpaid leave days like FMLA leave.

Failure to include certain paid and unpaid days away from work, could exclude eligible employees from coverage. This violates the ACA and results

in more penalties.

How to Avoid Miscalculation of Employee Hours

Your organization's definition of full time may differ from how the ACA defines it. Offer coverage to employees that meet the ACA's definition of full-time employees. Measure hours of service, not just hours worked, to include paid and unpaid leave in hour counts.

If you do fail to offer coverage to a full-time employee for any other reason, the employee may seek coverage through other means. Doing so could still lead to financial penalties for employers.

Employee Seeks & Qualifies for Federal Subsidy from the Health Insurance Marketplace

If you don't offer MEC to any of your full-time employees, and they qualify for a federal subsidy at the [Health Insurance Marketplace](#), you pay. The annual penalty is a nondeductible fee of \$2000 for every full-time employee, even those enrolled in coverage. Exclude the first 30 employees (first 80 employees in 2015) when calculating the penalty. Penalties assessments occur on a monthly basis.

How to Avoid a Penalty from Employees' Federal Subsidy Qualification

Offer Minimum Essential Coverage to at least 95% of your full-time employees and avoid this penalty. Track employee time the right way, and skip the risk of missing any benefits-eligible employees.

Don't shrug off the financial repercussions of noncompliance with the ACA. These numbers could mean huge expenses for your business. [Take charge of your ACA strategy](#). Get on board with software that will keep you

confident about your ACA compliance.



What Employers Should be Tracking

The ACA is stirring up a lot of angst among employers and Human Resources professionals. It's no news to anyone the ACA Shared Responsibility Reporting could reap major financial consequences for any company not in compliance.

But those penalties just got bigger.

Recently, Congress passed the [Trade Preferences Extensions Act of 2015](#). While the Act on the whole may not have much to do with the ACA, a provision within the act makes a big impact on anyone who fails to properly report information through 1094-C and 1095-C reports.

For the calendar year, companies must show evidence of offering minimum value/affordable coverage to full-time employees and their dependents using [Form 1094-C](#). Using [Form 1095-C](#), employers must inform their employees about said offered coverage. ([Requirements of sections 6055 and 6056 of the Internal Revenue Code](#).) For companies who fail to report ACA compliance through 1094-C and 1095-C forms, the penalties could increase by as much as 200% from previous penalties, making it more important than ever for employers to monitor and report ACA compliance accurately.

If you're an HR manager, you may be asking, "What should I be tracking for

ACA compliance?"

As with any act from Congress, there are many nuances, rules, and exceptions to follow or be aware of. Navigating the ins and outs of Obamacare and the Employer Mandate can be an HR nightmare, especially if you've got a growing business, have a variety of employee qualifications, or you're an HR manager who wears a lot of hats—like many Human Resources managers do.

We've put together a list of some of the major components of ACA Health Care Reform employers should be tracking.

ACA Compliance: What Should I Be Tracking?

Employee Classification (Full-time vs Part-time)

Track which employees qualify as full-time workers (for both regular and variable hours workers) for each calendar month of the year. Employees are considered full time at 30 hours/week or 130 hours in one month period.

Schedules and Hours

Keep historical and real-time data for hours worked (look-back period and stability period) workforce schedules, and time records for both benefits-eligible and non-benefits-eligible employees.

Employee Eligibility

Keep a timely analysis of when an employee becomes eligible for benefits.

Maintain a monthly report off all eligible full-time employees and their dependents who received the opportunity to enroll in coverage from the employer.

Coverage

Track the months an employee had coverage under an eligible employer-sponsored plan.

Maintain record of each full-time employee's share of the lowest cost monthly premium for self-only coverage providing minimum value offered.

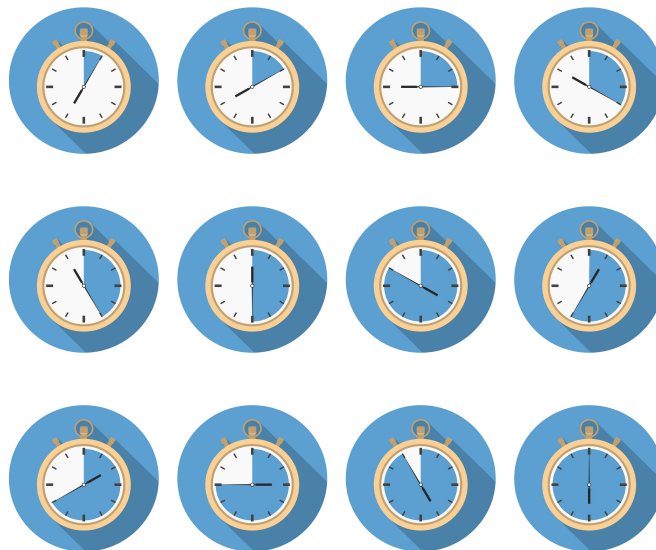
Use the right tools for ACA Shared Responsibility Reporting

ACA compliance software will help you track these records using ACA compliance tools like a management dashboard, compliance alerts, and status measurements to show evidence of your compliance to the IRS and Department of Labor. See more in the Tools for ACA Compliance section.

Tracking: Measurement & Stability Periods for Variable Hour Workers

Consequences for ACA noncompliance have employers and human resources staff on their toes about employee benefits eligibility and time tracking.

There are a lot of questions—what do employers need to track for ACA compliance? What tools can they use to do this?



The Affordable Care Act and Employer Shared-Responsibility Reporting (also referred to as the Play or Pay mandate) require some type of time and attendance tracking for all employee classifications in order to report on benefits offered to eligible employees.

If your company has traditional full-time employees working predictable hours every week and month, tracking hours may not seem so complicated.

However, if you're a company with variable hour employees like seasonal workers, fleet, or remote workers, or you have new employees whose predicted hours are unknown, time tracking for health care reform gets complicated.

How do you track time for ACA compliance with full-time employees and variable hour workers? The ACA offers ways to measure time worked and benefits eligibility before the employee becomes eligible using ACA Measurement and Stability Periods. The time worked during this period determines the status for another specified period of time even if the worker's hours change in order to create some kind of predictability in benefits eligibility.

Measurement Period

Also called the look-back period, the Measurement Period is the set period of time an employer records the hours worked by a variable hour employee. This Measurement Period is required to be between three and 12 consecutive months (designated by the employer).

Administrative Period

The time for an employer to calculate the average hours worked by an employee during the Measurement Period in order to determine the employee's benefits eligibility. The Administrative Period allows employers up to 90 days to complete the calculations, though this can be done in moments with an integrated HR system and ACA module. Most companies will align this with their open-enrollment period.

Stability Period

The Stability Period is the period when employees who have been determined to be full time in the Administrative Period become eligible and must remain eligible for health coverage. This "hold period" allows employees to maintain the status determined in the Measurement Period

for the designated amount of time in the Stability Period. The Stability Period is required to be between six and 12 months. With the exception of the first year, the Stability Period cannot be longer than the Measurement Period.

Companies must be able to prove that benefits were offered when an employee reached eligibility status. With a time tracking system, you won't be surprised. [Time tracking systems with ACA modules](#) will send alerts when an employee has scheduled hours that would put them over the eligibility limit or when employees become eligible for benefits.

But ACA compliance isn't the only reason you should be tracking employee time. Here are a few more reasons to be aware of when employees are on the clock:

Changes to Overtime Pay Law

With the [FLSA proposed overtime pay laws](#) possibly changing the threshold for non-exempt white collar employees, tracking employees' time is even more necessary. The DOL's proposed overtime law changes would more than double the minimum salary threshold for overtime pay eligibility. Changing laws means employers need to have actual data for hours worked in order to track when employees are reaching overtime.

Tracking PTO

Optimize tracking PTO use and accepting/denying PTO requests with an integrated time and attendance system. Think of the time it takes an employee to verify if their eligibility for PTO, follow the proper procedures to request that PTO (if they do), submit the request, then for HR or another manager to receive the request, verify that the employee has the PTO requested and that the designated time is okay for the employee to take the time off, then get back to the employee with an approval or denial of the request...That is a mess! Track time and no one has to second guess PTO allowances.

Productivity

Employers who track employee's hours help their **workers to focus on what matters most** and to improve their output. Whether employers track when employees arrive and leave or have employees track each task, there is a certain accountability in time tracking that keeps people productive.

There are many reasons—legal and practical—to use a time tracking system for your employees at any level or classification.

Tracking: Safe Harbors to Protect Your Company



As of the beginning of 2016, your company is responsible for proving compliance with the Affordable Care Act. This means that you're providing health insurance with a 60% **minimum value** to substantially all (95%) of your employees.

But just providing any insurance plan for your employees to join is not enough; it has to meet strict affordability requirements. What's affordable for one employee may not be affordable for all, so the dollar amount each employee contributes for their insurance premiums can vary. The least expensive option offered (for employee-only coverage) should not exceed 9.5% of an employee's household income in order to be compliant.

This is where things can get cloudy. There are all kinds of factors that can make an employee's total annual household income unknown: spouse's income, variable number of hours, pre-tax contributions, etc.

Enter the three safe harbors. They help you ensure the insurance coverage you're offering to employees will be considered affordable, protecting your

company from penalties.

What are the Three Types of Safe Harbors?

W2 Wages Safe Harbor

Overview: This is based on box 1 of an employee's W-2 form. If the employee's insurance premium costs are no more than 9.5% of this number, your plan is compliant. This is a good fit for an employer with a stable workforce of regular full-time salaried employees who work 40-hour weeks, and whose income is unlikely to decrease throughout the year.

Advantages: This safe harbor will generally result in higher monthly premium affordability amount, meaning the employer's share might be less expensive.

Disadvantages: This doesn't include any pre-tax contributions the employee may make toward a 401(k) or cafeteria plan. This means that two different employees with the same salary may have different maximum affordable amounts.

This safe harbor also requires calculating coverage affordability for each employee individually, and will have to be calculated each month if an employee's income varies by month. These factors make this safe harbor more administratively onerous.

Rate of Pay Safe Harbor

Overview: Plan affordability is calculated by multiplying an employee's lowest hourly pay during the month by 130 hours. If the lowest-cost insurance plan offered is no more than 9.5% of that number, your coverage is compliant.

Advantages: This is a good option if you need a fast and "fail-safe" compliance check. If you're compliant for the lowest-paid employee, you're compliant for your whole workforce.

Disadvantages: This doesn't work for non-exempt employees if the monthly salary is reduced during any given month (due to a reduction in work hours,

for example). Also, the 130 hour guideline applies across the board, even to employees who may work more than 130 hours in a month, and could therefore afford a higher cost for their insurance premium.

Federal Poverty Line Safe Harbor

Overview: This safe harbor uses the Federal Poverty Line (FPL) to determine plan affordability. If your lowest-cost, employee-only plan costs no more than 9.5% of the FPL, you're compliant. To determine affordability, you are allowed to use the FPL in effect six months prior to the start of the plan year.

Advantages: This is an easy and fail-safe calculation. Instead of making a calculation for each employee, this can be applied to an entire workforce. Any employer who uses this safe harbor is guaranteed to be compliant.

Disadvantages: This can result in the employer paying a significantly higher share of insurance coverage, since employees will only be responsible for paying 9.5% of the FPL amount, even if their income is higher.

Which Safe Harbors Can You Use?

It's optional to use any of these safe harbors. You can apply different safe harbors to different categories of employees, provided that you do so consistently for all employees in a particular category.

Reporting: Forms 1094-C & 1095-C for Employers



Form 1094-C Instructions for Employers

From tracking tools to benefits eligibility to deadlines, there's a lot to cover with the Affordable Care Act. A huge part of complying with the ACA will be the actual reporting and filing—the proof employers did what they should in the reporting year.

Every Applicable Large Employer (ALE) will be required to follow the proper instructions for filing 1094-C with the IRS. Is your office prepared to correctly distribute, complete, and file the proper IRS forms? If you want your business to be ACA compliant (and avoid major financial penalties), you need to know about these forms.

Let's review some important information and frequently asked questions about Form 1094-C. Who needs to file, why file, when to file, and what revisions have been made are all important questions we will cover in the following 1094-C instructions.

Who needs to file Form 1094-C?

According to the IRS, Applicable Large Employers (ALE) with 50+ full-time and full-time equivalent employees in the previous year must file one or more Forms 1094-C and a Form 1095-C for each employee who was a full-time employee for any month of the calendar year. Remember that it does not matter how your company qualifies full-time employees, the ACA's standards apply to all employers. [Determine if you're an ALE here.](#)

What's the purpose of Form 1094-C?

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

Forms 1094-C and 1095-C will be used to determine whether an employer will be penalized for noncompliance. This penalty will require payment under the Employer Shared Responsibility provisions under section 4980H. These forms will also determine employees' eligibility for the premium tax credit.

What determines if health coverage is affordable?

Health coverage is affordable if the amount charged by the employer for employee self-only coverage does not exceed nine and a half percent of the employee's W-2 wages, pay, or the [federal poverty level for the tax year.](#)

What information will be reported on Form 1094-C?

Employers will report the following on Form 1094-C:

- The employer's name, employer identification number, and contact information.
- The total number of Forms 1095-C filed (based on number of full-time equivalent employees during the tax year and any non-full-time equivalent employees who did enroll in the employer's self-insured health plan).
- Proof by month as to whether the employer offered its full-time equivalent employees (and dependents) the opportunity to enroll in minimum essential health coverage.
- The number of full-time equivalent employees for each month of the calendar year.
- The total number of employees for each month for the calendar year.
- Any special rules or transition relief that applies to the employer.
- The names and employer identification numbers of other employers that are in a controlled group or affiliated service group with the employer.

What revisions have been made to the Form 1094-C?

In September 2015, the IRS issued the final revisions of Forms 1094 and 1095. The final revisions discuss the new increased penalties for failure to file statements and the relief granted for the 2015 tax year.

Penalties for failure to file complete and accurate forms by the form due date will be \$250 per form, not to exceed \$3 million (increased from \$100 per form, not to exceed \$1.5 million).

It's important to note that while many ALEs with fewer than 100 full-time equivalent employees are generally eligible for transition relief, they are still required to file Forms 1094-C and 1095-C for the calendar year and subject to penalties for failure to file forms.

The revision also gives a heads-up to employers that in the future, the 9.5% calculation safe harbors may be indexed for inflation similar to premium tax

credit eligibility.

Additionally, the 2015 Form 1094-C moved line 19 (reads, "Is this the Authoritative Transmittal for this ALE Member?") into Part I of the form to allow for an entry in the "All 12 Months field" in Part III, line 23, column (b) Full-Time Employee Count for ALE Member.

When do employers need to file Form 1094-C?

Filing for the previous calendar year is due on February 28 (paper filing) and March 31 (electronic filing) UNLESS:

- The date falls on a weekend (Saturday or Sunday).
- The date falls on a legal holiday.

If a due date falls on one of the aforementioned days, the due date defers to the following business day. A business day, according to the IRS, is any day that is not a Saturday, Sunday, or legal holiday.

How to file for an extension for Forms 1094-C

If you would like an extension to file forms with the IRS, submit a Form 8809 on or before the due date of the return for an automatic extension. This form does not require a signature. For an additional 30-day extension, the filer or an authorized agent must sign the form.

How to file Form 1094-C

The IRS strongly encourages a detailed review of instructions for 1094-C before completing the forms as well as a thorough evaluation of all forms before submission. Employers may file on paper or electronically, though some restrictions apply.

Instructions for 1094-C Paper filing & Electronic filing

The IRS encourages all employers to file electronically if possible. However, if any employer must file 250 or more of a single type of form, the employer is required to file electronically. This requirement applies separately to each type of form. For example, if you're filing 300 Forms 1094-C and only 100 of another form, you are required to file only the Forms 1094-C electronically. If an employer applies for and receives a hardship waiver, the electronic filing requirement is not applied.

You may file [electronically through the AIR \(ACA Information Returns Program\)](#).

If filing on paper, the employer should send the forms to the IRS in a flat mailing package. On each package, write the employer's name, number the packages consecutively, and place Form 1094-C in package number one. According to postal regulations, these forms must be sent by First-Class Mail.

Retain copies of all forms and returns filed with the IRS for at least three years from the due date. If you do not keep copies, you should be able to reconstruct the data given in the returns.

What are the next steps for employers?

These forms can be complicated, and unlike a W-2, can require information from multiple systems of record for one annual filing. Employers will likely need to gather tracked information from Human Resources, Payroll, Benefits, among other departments. Waiting until just before the deadline to act on ACA tracking and reporting could leave your company facing big financial penalties and late fees. Start with the following action items:

- Determine if [your business qualifies as an ALE](#) according to the Affordable Care Act.
- Ensure the correct systems are in place for [accurate ACA reporting and compliance](#) for your business. Does your business have [the right tools for tracking](#) and documenting employee status, benefits eligibility, and benefits enrollment?
- Review the [IRS reporting information page](#) for Form 1094 and Form 1095 instructions and updates.

Don't let your organization get caught with big penalties. Start preparing your business today for ACA compliance and reporting.

Form 1095-C Instructions for Employers



Do you know which employees receive form 1095-C?

When it comes to filing form 1095-C, there are a lot of details to be aware of. Here's what you should know to avoid filing penalties:

Who Needs to File Form 1095-C?

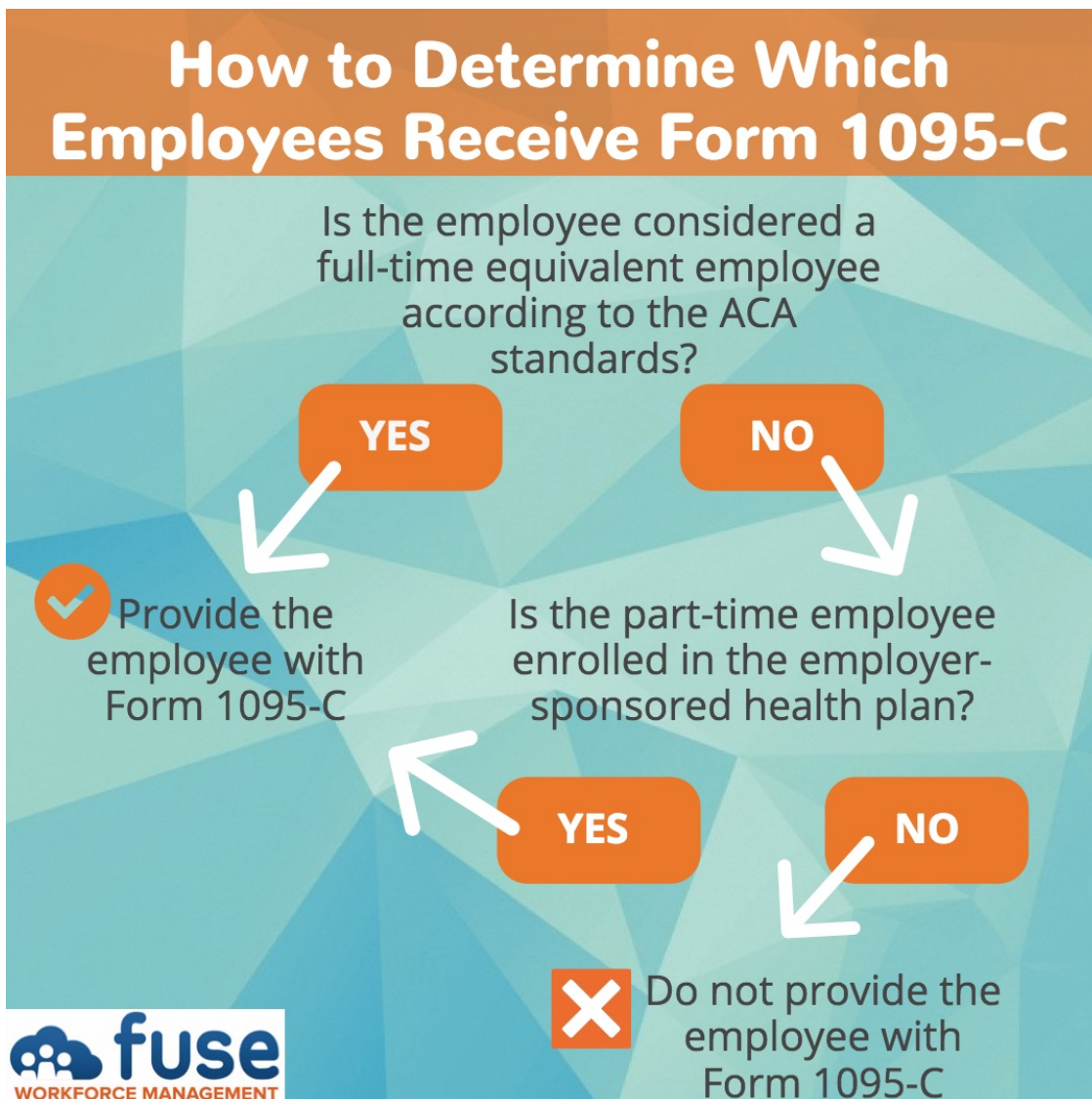
Applicable Large Employers (ALEs) with 50 or more full-time equivalent employees need to furnish their employees with Form 1095-C as well as file Form 1095-C with the IRS.

If a small business employer is a member of a controlled or affiliated service group that has 50 or more full-time equivalent employees all together, that employer will also be responsible for furnishing and filing Form 1095-C.

For Whom Do Employers Furnish Form 1095-C?

Prepare a Form 1095-C for each employee whose hours of service equaled 130 or more hours in a month. This even applies to those who did not take part in the employer-sponsored health plan.

Prepare a Form 1095-C for any part-time employee enrolled in the employer-sponsored plan. Employers do not need to prepare Form 1095-C for any part-time employees not enrolled in the employer-sponsored plan. Maximize efficiency and keep your business running with [Form 1095-C software](#).



Why Do Employers Need to Furnish Form 1095-C to Employees?

Form 1095-C provides important information employees need to complete their individual tax returns. On Line 61 of individual tax returns, employees must show whether they or their family members had minimum essential coverage.

What Information Do Employers Report on Form 1095-C?

Proof of MEC, employees' ID numbers and social security numbers must appear on Form 1095-C. On forms furnished to employees, you may truncate SSNs and IDs.

Employees must provide the social security number of their dependents. Keep in mind that spouses do not qualify as dependents according to the ACA.

What are the Deadlines for Furnishing Form 1095-C to Employees?

Extended deadline for 2017: Employers must furnish Form 1095-C to employees by Thursday, March 2, 2017. *(NOTE: This is an extension for 2017 only, given by the IRS in late November 2016. The standard due date is January 31.)*

The deadline extension applies to 2017 (reporting on 2016 only. In the future, the following standard deadlines will resume.

Standard Deadlines: Along with the employee's W-2, furnish Form 1095-C to employees by January 31, unless that day falls on a weekend or holiday. If so, the deadline will fall on the following business day.

Important: Unless the employee has given specific consent to provide this form electronically, furnish all Forms 1095-C by mail or deliver by hand.

What are the Deadlines for Filing Form 1095-C with the IRS?

Just as with Form 1094-C, file Form 1095-C with the IRS by February 28 if filing by paper, or March 31 if filing electronically. These are the standard deadlines for filing unless the date falls on a weekend or legal holiday. The deadline then falls on the next business day.

Is There a Form 1095-C Extension?

Employers may apply for an extension to furnish Form 1095-C to employees by submitting a letter of request to the IRS on or before the form due date. This extension will allow the employer up to 30 extra days to furnish Forms 1095-C to employees.

Employers may receive an automatic Form 1095-C extension for filing with the IRS by completing [Form 8809](#).

Are There Specific Form 1095-C Instructions for Filing for Employers?

Employers may file Form 1095-C by paper or electronically. ALEs filing 250 or more Forms 1095-C are [required to file electronically](#).

Important Form 1095-C Instructions

Information on Form 1095-C is arranged by three rows of coded information. This is arranged by month for each employee who reached full-time employment status for one or more months during the calendar year.

Line 14: Offer of Coverage

Use the code to identify whether the employer offered MEC to the employee and the employee's dependents.

Line 15: Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage

Complete this line with the dollar amount that shows the employee's share of the lowest-cost monthly premium for self-only minimum value coverage.

Line 16: Applicable Section 4980H Safe Harbor Code

Use the code to identify any other information that may be used to determine if the employer is liable for shared responsibility payment.

Form 1095 software will help employers track and code this information for completing the forms.

Form 1095-C Revisions

According to IRS revisions, ALEs are no longer required to report on offers of COBRA for terminated employees on Form 1095-C, Part III. But, ALEs are still required to report offers of COBRA for reduced hours for active employees.

Providers of minimum essential coverage must report enrollment in self-insured coverage for non-employees on Form 1095-C, Part III.

Is There Form 1095 Software or Other Tools Available to Help Employers?

Employers need to have the right system and strategy in place for ACA compliance. Reliable ACA compliance software will track, integrate, and analyze data across time and attendance, HR, and payroll. Because employers must complete a Form 1095-C for each full-time employee, the time and effort involved is consuming. [Form 1095-C software](#) allows employers to maximize efficiency for health care reform paperwork.

With Form 1095-C software, employers can receive accurate visibility for hours of service including look-back and stability periods, for full-time, part-time, and variable-hours employees.

Additionally, 1095-C software can automate benefits eligibility notifications and employee plan enrollment.

With this information automatically updated and recorded, 1095-C software allows employers to spend less time managing the hassles of paperwork and timesheets. Instead, they can focus on the bottom line for their businesses.



What to Expect on Form 1094-C & 1095-C for 2017 ACA Reporting

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

After its inaugural reporting year, the IRS made some updates to Forms 1094-C and 1095-C for the coming years. Learn more about those changes for reporting compliance.

Verbiage Change to the Form Instructions

(Both 1094-C and 1095-C) The term 'Employer' has been replaced with 'ALE Member' in many cases throughout the form instructions to remind employers that each separate ALE member must file its own forms.

If a small business employer is a member of a **controlled or affiliated service group** that has 50 or more full-time equivalent employees all together, that employer will also be responsible for furnishing and filing C-series forms 1094 and 1095. For example, a medical clinic is owned by several physicians in equal share. A regional staffing company employs the support staff at the clinic, and the clinic is a shareholder in the staffing company. This would be an affiliated service group.

New indicator codes for Line 14 of Form 1095-C

(Form 1095-C) The new codes on Form 1095-C reflect conditional offers of coverage made to an employee's spouse. For 2015 reporting, all offers of

coverage to an employee's spouse had to be reported in the same way, whether the offer was conditional or not.

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

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

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

New Coding Instructions for COBRA Coverage

(Both 1094-C and 1095-C) There has been much confusion over offers of coverage for terminated and retired employees. Hopefully, the revised instructions will help clear up some things in the matter. To code offers of **COBRA coverage** use 1H (Line 14) and 2A (Line 16) whether or not any elections for COBRA coverage were made. This coding also applies for non-COBRA post-employment coverage as in the case of a retiring employee. If the retired employee was a full-time employee for at least one month of the year, employers should use this coding sequence.

Additional Insights for Calculating FTEs

(Form 1094-C) The IRS clarifies in the form instructions that calculation of full-time employee status is solely determined by the rules under Code 4980H. Any other regulations, including those established by an employer, do not apply in determining full-time employee status for the ACA.

Changes to Transitional Relief That is No Longer Applicable

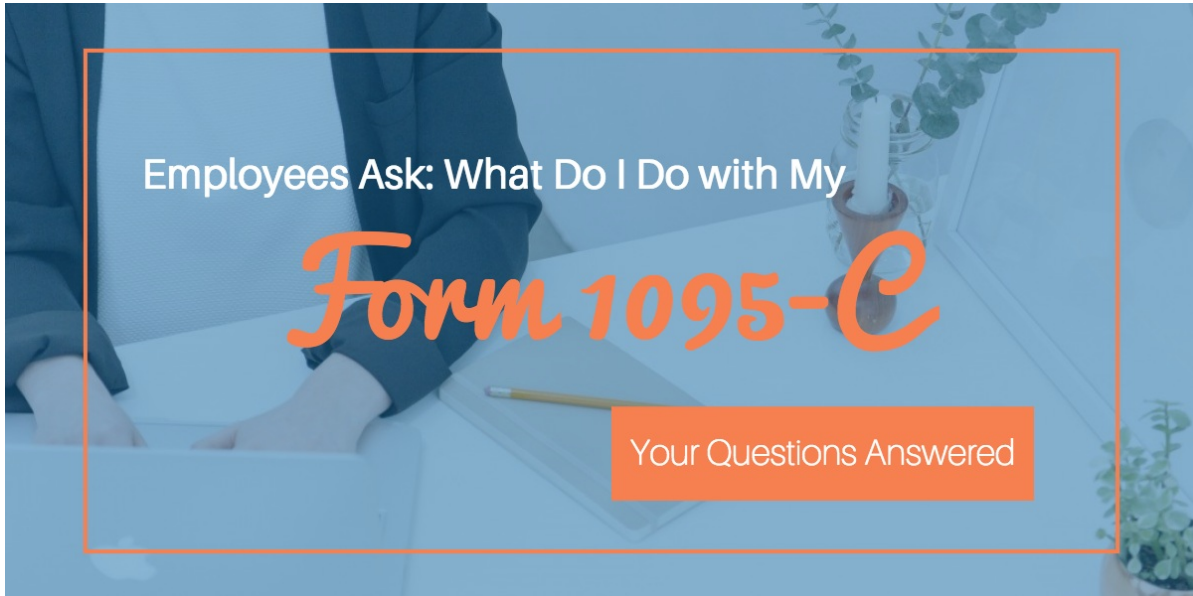
(Both 1094-C and 1095-C) The IRS removed the Qualifying Offer Transitional Relief box on Line 22, labeling option B as 'Reserved' on 1094-C and Line 14 code 1I on 1095-C. This relief was applicable to those reporting on the 2015 calendar year for non-calendar year plans that began in 2014. Section 4980H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

No More 'Good Faith' Compliance Standard

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

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

Reporting: Form 1095-C for Employees



Employers and employees alike are seeking direction for tax and reporting forms. Many employees know to expect a new form from their employers this year along with their W-2 but don't know much about it.

Employers and HR Managers, use this chapter to educate yourself and your team about communication with your employees. They will have plenty of questions and concerns. This should help prepare you with the answers.

First, let's discuss the purpose of Form 1095-C.

Form 1095-C is for reporting employer-provided health insurance offer and coverage. This form provides information employees will need to complete their individual tax returns. Employees will show whether they or their dependents had offers for minimum essential coverage. They will also show whether they received this coverage.

Similar to how your W-2 shows whether you owe taxes, Form 1095-C shows whether you and your employer need to pay fines for ACA noncompliance.

This falls under the individual mandate and employer shared responsibility mandate.

Now let's cover some important questions employees have about Form 1095-C.

Employers, see the previous chapter for specific information regarding your responsibilities with Form 1095-C.

Will I receive a Form 1095-C from my employer?

You will receive a 1095-C from your employer if your employer:

- Qualifies as an Applicable Large Employer. ALEs are employers with 50 or more full-time equivalent employees, OR
- Is a small business member of a controlled or affiliated service group with 50 or more full-time equivalent employees all together.

AND

- If your hours of service equaled 130 or more hours in a month, or
- If you are a part-time employee enrolled in an employee-sponsored health plan.

Will I receive Forms 1095-A and 1095-B from my employer too?

You will receive Form 1095 from the entity that provided you health insurance coverage for the tax year.

- Form 1095-A: you received coverage from a marketplace organization.
- Form 1095-B: you received coverage from a self-funded group or Small Business Health Options Program.

Your insurance carrier may also send you Form 1095-B if you enrolled in a fully-insured employer-sponsored health plan.

What do the different parts on Form 1095-C mean?

Part I: Employee and Applicable Large Employer member information. You may truncate employee ID numbers and social security numbers in individual statements. Statements submitted to the IRS by the employer must include the full numbers.

Part II: Employee Offer and Coverage. Part II reports on health coverage offered and the affordability of that coverage.

Part III: Covered Individuals. This section reports on the individuals and dependents covered under the self-insured plan. Social security numbers are required for all dependents. As a reminder, spouses are not included in the definition of dependents under the ACA.

For more detailed instructions on Form 1095-C, visit the [IRS instructions page](#).

When should I expect to receive my Form 1095-C from my employer? Will it come with my W-2?

Employers must furnish Form 1095-C to employees by March 2, 2016. The IRS extended this due date for 2017 and the deadline will be January 31 (same as W-2) in the future.

Because of this extension, it is likely this year you will not receive Form 1095-C at the same time as your W-2.

My tax preparer asked for my Form 1095-C along with my W-2 this year. Do I need Form 1095-C to complete my individual tax return?

The IRS states you do not need to wait for to receive your Form 1095-C to

file your individual income tax return. Employees will need their 1095-C information if the employee:

- Had gaps in health coverage for three or more months in 2015. In this case, the individual may be applying for an exemption from the individual mandate and will need Form 1095-C to do so.
- Had an unaffordable offer of coverage from an employer and received health coverage through a marketplace organization with a premium tax credit.

The IRS has a [list of documentation](#) to keep in your records to verify your coverage.

Do I need to submit Form 1095-C with my individual tax return?

No, do not attach the form to your tax return documents. You may keep the form for your records and refer to the form as needed when completing federal tax documents. Your employer will file the statement with the IRS.

Will I receive my Form 1095-C by email or in the mail?

Unless the employee gives consent, employers must furnish Form 1095-C to employees by paper. Employees may offer consent by paper or electronically, but, any consent given on paper must be confirmed electronically.

Speak with your employer or HR department for more information receiving your statement electronically.

Reporting: How to Avoid Filing Penalties



Is your organization addressing all factors that make up ACA compliance?

Maybe you have an employee-sponsored health plan, or you've tracked every employee's time. Maybe you even offered full-time employees health coverage. But have you covered all your bases for ACA compliance?

Have you determined that your health plan is affordable? How do you report on that information anyway? What information do you need to provide your employees? When it comes to ACA compliance, there is a lot to cover—and a lot you could miss.

Let's discuss some important ACA compliance questions and ways employers could face ACA penalties.

Report and Furnish Proper Forms with IRS (1094-C and 1095-C)

The ACA requires all ALEs to [report health benefits coverage](#) to the IRS with Form 1094-C and 1095-C. ALEs must furnish employees with a related statement of coverage using Form 1095-C. Employers must complete these forms for any employee who reached 130 hours in a month.

Any company who fails to file or furnish forms 1094-C and 1095-C by the deadline will face penalties.

When are the reporting form deadlines?

Standard reporting deadlines for filing Form 1094-C and Form 1095-C are February 28 (if filing by paper) and March 31 (if filing electronically) for forms reporting on the prior calendar year.

The IRS issued an extension for furnishing Form 1095-C to employees. The deadline for 2017 reporting on 2016 is March 2, 2017. Expect standard deadlines to resume in the future.

Failure to file complete and accurate Forms 1094-C by the form due date will result in penalties equal to \$250 per form, not to exceed \$3 million per year. Failure to file and furnish correct information on Form 1095-C could result in a \$500 per form penalty for employers.

How to Avoid Penalties with Forms 1094-C and 1095-C for 2015

- Pay attention to the [1094-C instructions](#). If you don't complete these complicated forms the right way, you will pay.
- File and furnish forms in the correct fashion. ALEs filing 250 or more Forms 1094-C or Forms 1095-C must file through electronic delivery. Employers must mail or hand-deliver Form 1095-C to employees unless the employee has given specific consent for electronic delivery.
- File forms by the correct due date or [file for an extension with Form 8809](#).
- Make a "good faith effort." The IRS will not penalize organizations that have made a ["good faith effort"](#) to follow reporting requirements.

ACA Safe Harbors for Affordable Plans

The ACA not only requires ALEs to offer health coverage to full-time equivalent employees, but also requires that health plan be affordable with at least 60% minimum value. According to the ACA, an "affordable" plan is one that costs no more than 9.5% of an employee's total household income. It is unlikely that an employer will know each employee's total household income. Use ACA safe harbors to determine plan affordability.

Determine Health Plan Affordability Using Safe Harbors

When determining health plan affordability offered to employees, employees should consider these safe harbors. The cost of the health plan may not exceed 9.5% of any one the following (for employee-only plans):

- **W-2 Income:** See the employee's current year's wages in Box 1 on the employee's W-2.
- **Rate of Pay:** Employers may also take the amount equal to an employee's hourly rate and multiply by 130 hours per month for hourly employees.
- **Federal Poverty Level:** employers may use the FPL in effect six months before the beginning of the plan year.

The intricacies and requirements of the ACA and the Employer Mandate can be overwhelming. Don't ignore these important components of ACA compliance—or be ready to pay up.

Having the right tools to track and report on ACA compliance for your business is a necessity. Know your business is ACA compliant and penalty free. Use an [ACA module that includes 1094-C and 1095-C software](#) for accuracy and efficiency.

FAQs: ACA Compliance for Growing Companies

ACA COMPLIANCE FOR GROWING COMPANIES



If you're planning to expand your workforce, first of all: congratulations on the growth! But secondly, there are some issues that could trip you up. As you plan for upcoming growth, it's important to be aware of a few things that might affect your company's compliance with the Affordable Care Act.

1. I have less than 50 full time employees. Does that mean I'm off the hook for insurance?

Maybe.

If you're currently under 50 full time employees, you may have just had an "every man for himself" approach to healthcare coverage. Under the Affordable Care Act, you're technically allowed to do that at your size. But as your company grows this year, you may suddenly be responsible for

providing insurance coverage as an option for employees.

The Affordable Care Act calls a business an “Applicable Large Employer” (ALE) and holds them responsible to the insurance mandate at 50 full time or *full-time equivalent* employees. ALE status is determined based on the actual number of hours of work your employees perform.

That means if you have 40 full time employees and 20 part-time employees, you may be an (ALE). If those 20 part-time employees are working the combined number of hours that 10 full-time employees would be, then you’ve got 50 full-time equivalent employees, and you’re an ALE.

As with most things in life, it’s best to be proactive about this and start preparing before it becomes an issue. If it’s a possibility that you’ll end up with a workforce of 50+ full-time or full-time equivalent employees this year, start preparing insurance coverage options to offer your workforce now.

2. So can I just pick any old plan?

Nope.

The insurance plans you offer have to provide a **60% minimum value**. This means the insurance plan must cover at least 60% of the total cost of healthcare for a standard population, including substantial coverage for inpatient care and physician visits.

3. Do I just decide a dollar amount we’ll kick in and let the employees pay the rest?

Not quite.

The lowest-cost option you offer to cover the employee only has to meet some requirements to be considered “affordable.” Their portion of the premium can’t cost more than 9.5% of their total gross income. You as the employer are responsible for the rest of the cost of the plan.

4. But some employees make more, and some make less. How can I make sure we're safe?

When you're calculating insurance affordability, there are three "safe harbors" you can use to make sure you're in the clear. Read more about them in the chapter, *Using Safe Harbors to Protect Your Company*.

Growing and taking on new responsibilities can be a challenge, but with the appropriate planning, you can stay on the IRS's good side.

Tools for ACA Compliance & Reporting



Affordable Care Act (ACA) compliance and reporting—don't do it right and your business will face major penalties.

Under the Affordable Care Act, the Employer Shared Responsibility Provision (also called the Employer Mandate) requires any business with 50 or more **full-time equivalent employees** to provide health insurance to at least 95% of said full-time employees and their dependents up to age 26.

The penalties, beginning execution in 2016, for not meeting the mandate requirements will cost your company.

Big time.

Between payroll, time and attendance, recruiting, onboarding, exit interviews, and the many other tasks HR professionals face, how do you track ACA compliance too?

Wouldn't it just be easier if you had an ACA compliance manual to walk you through this tricky process?

Good news.

Fuse Management Workforce's ACA Compliance Module offers companies a way to execute and proactively manage their ACA compliance tracking across the entire workforce and minimize the risk of facing major financial consequences.

This ACA compliance software takes something complex and makes it easy, hassle-free, and reliable. Think of it as your go-to ACA compliance guide.

What's included in the Fuse ACA Compliance Module?

- Management dashboards
- Compliance alerts for employee status & eligibility
- Status measurements for employer & employees
- Schedules for full-time and part-time employees
- Timeline view for current & historical status

Management dashboards provide consolidated views of regular- and variable-hour labor pools and the ability to drill down into views for individual employees.

ACA compliance alerts notify managers when an employee's status changes to full time or part time, when an employee is approaching benefits eligibility, and when an employee has scheduled hours that would put the worker over the eligibility limit.

Automated alerts can also be sent to employees to notify them of their eligibility for benefits. Additional rules can help you enforce schedules and maintain your preferred full-time/part-time employee mix.

View any employee's current status or historical status by month with the ACA timeline view. Access both real-time and historical detail on ACA status measurements for both your company and individual employees.

Sure, this all sounds great, but does this mean you have to learn one more thing?

The [ACA Compliance Module](#) is available in the [Fuse Platform Marketplace](#). Integration is already built in so the account admin can add the module to system within the platform. Then you're free to enjoy your

ACA compliance strategy alongside the other digital, automated, and cloud-based features of workforce management—all in one place.

You're not doing this alone. You'll be armed with user guides, training videos, and the [Fuse Support team](#) to help walk you through the implementation process.

Fuse's ACA Compliance Module is one of the only single-platform solutions for HR, benefits administration, time and attendance, and payroll. With a single record for each employee, you can streamline and automate the ACA compliance and benefits enrollment process as employees reach eligibility.

This content in this ebook is intended for educational purposes only and should not be considered legal advice.

Be Confident You're Compliant

Is your company prepared to report on
ACA Compliance?



Receive a complimentary assessment

Fuse Workforce Management offers your organization a way to proactively manage ACA compliance across your full workforce. Minimize the risk of facing major financial penalties. Speak with one of our ACA specialists today.

Get a complimentary assessment