

June 4, 2015

IRS Clarifies Form 1094 and 1095 Reporting

The Internal Revenue Service (IRS) released more detailed reporting information in the form of Questions and Answers (FAQs) in an effort to assist employers with IRS reporting (Form 1094-C) and providing statements to its employees (Form 1095-C) regarding employer health coverage information under the Affordable Care Act (ACA). Employers must comply with these new reporting requirements beginning in 2016, reporting on calendar year 2015. The latest guidance consists of an updated Q&A document covering basic reporting requirements and a new Q&A document addressing more specific issues that may arise while completing Forms 1094 and 1095. The Q&As are clarifications to the existing rules. The final rulings remained unchanged.

Background. The ACA added IRC section 6056, which requires that “applicable large employers” (ALEs) file annual reports detailing the terms and conditions of health coverage provided to full-time employees during the year. [Form 1095-C](#) is to be used to fulfill this requirement, while [Form 1094-C](#) is to be used for transmitting Form 1095-C to the IRS. The ACA also added section 6055 to require similar annual reporting by entities that provide “minimum essential coverage” (MEC providers). [Form 1095-B](#) is to be used to fulfill this requirement, while [Form 1094-B](#) is to be used for transmitting Form 1095-B. The purpose of the reporting is so the IRS can verify employer-sponsored coverage to administer the employer shared responsibility provisions (“pay-or-play”) under Code section 4980H(a) and (b), and to determine which employees may be eligible for a premium tax credit if they purchase health insurance in an Exchange/Marketplace. ALEs that provide self-insured coverage are subject to the reporting requirements of Section 6055 as well as Section 6056. As discussed in previous [IRS Questions and Answers on Information Reporting by Healthcare Providers \(Section 6055\)](#), ALEs can combine section 6055 and 6056 reporting on Form 1095-C.

The revised [Questions and Answers on Reporting of Offers of Health Insurance Coverage by Employers \(Section 6056\)](#), provides guidance with respect to the reporting of healthcare coverage. Specifically –

- **Who is Required to Report.** The revised Q&As confirm that an ALE that does not have full-time employees for any month of the year is not obligated to report under Code Section 6056 unless the ALE sponsors a self-insured health plan in which any employee, spouse, or dependent is actually enrolled. In this case, it must still file Forms 1094-C and 1095-C even if it has no full-time employees. In addition, an ALE must file and provide Form 1095-C to all full-time employees regardless of whether they were offered coverage during the year.

- **Methods of Reporting.** The updated Q&As now address "simplified" or "alternative" reporting methods under the qualifying offer method, which allows ALEs to furnish a simplified employee statement to employees receiving qualifying offers for all 12 months of the year. In addition, the IRS has confirmed what it previously had indicated informally - that a Form 1095-C may be delivered to employees in any manner permitted for Form W-2 distribution. However, the IRS also clarified that an employer is not required to furnish a Form 1095-C to an employee within 30 days of the employee's written request after the employee terminates employment (which is a requirement that applies to the Form W-2).

The IRS also released an entirely new guidance document, [Questions and Answers about Employer Information Reporting on Form 1094-C and Form 1095-C](#), providing specific guidance on how to complete the required forms. The items addressed in the new document include:

- **Newly Hired and Terminating Employees.** Describes how an employer reports the offer of coverage for the month in which an employee is hired or terminates employment.
- **Governmental Units (Third-Party Reporting).** ALEs may designate third parties to perform reporting on their behalf. The new Q&As confirm that a governmental ALE may designate another governmental entity to accept reporting responsibility on its behalf. Guidance also explains the allocation of responsibilities under various combinations of self-insured and fully insured coverage options.
- **Reporting Offers of COBRA Coverage.** New Q&As illustrate reporting under various COBRA scenarios, such as—
 - how to report enrollment information for self-insured coverage that was provided to an individual who was not an employee on any day of the calendar year, such as a non-employee COBRA beneficiary;
 - how qualified beneficiaries electing COBRA independently from the employee must receive separate forms, while those who have COBRA due to an employee's election should be included on the same form that is provided to the employee; and
 - how to report an offer of COBRA continuation coverage to a full-time employee that terminates mid-year, and to an employee who receives an offer of COBRA continuation coverage due to a reduction in hours.

Employers should by now have an in-house or outsourced solution in place to track benefits eligibility of their full-time employees and submit annual reports to the IRS. The first reports are due in early 2016, but these reports must contain month-by-month data from the entire 2015 year for each affected individual. Employers are experiencing major impediments to preparing the forms, including combining information from internal payroll/HRIS systems with external plan enrollment rosters and the reconstructing of payroll and eligibility/enrollment history from January to the present. Many employers still have work to do to prepare for this new filing requirement. Employers still finalizing their strategy should coordinate with the leadership team, finance, human resources, accountants and their attorneys in considering the following:

- Know when employer shared responsibility (penalties) is effective for your organization
- Know whether or not your organization is part of a controlled group and who is managing the filings
- Understand that self-insured employers with less than 50 full-time employees and all 50 – 99 employee organizations (qualified for 2015 penalty transitional relief) must file for tax year 2015
- Know how you are tracking full-time employees and how you have handled plan design in

order to comply with the employer mandate requirements

- Be sure you have updated eligibility rules in plan document and communication materials for any variable hour counting and employee eligibility provisions applicable for the 2015 plan year
- Don't assume that a payroll, benefits administration, HRIS, or accounting vendor will provide assistance with the form preparation
- Don't assume your payroll, benefits administration, or HRIS vendor has all of the information needed to complete these filings
- Numerous stand-alone form preparation solutions are available, but many come with service limitations/specifications and timing issues, and none have a track record

While Conner Strong & Buckelew can assist its clients with a general understanding of these rules, we will not handle form preparation, and we will refer our clients to their tax and legal advisors related to requests for assistance that address a sponsor's specific issues/complexities regarding appropriate eligibility and hours tracking rules, and the actual implementation of the tracking and/or reporting rules. The tracking, counting, and reporting rules are extremely complicated in theory and are often even more complicated in application depending on the structure of an employer's business, workforce, and plan/benefit offerings.

Please visit our online [Resource Center](#) for links to our previously released Legislative Updates and Webinar presentations for additional details on these requirements. Contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 should you have any questions.



connerstrong.com



877-861-3220



news@connerstrong.com



Change My Preferences



INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS



[Click here to change your email preferences or unsubscribe from all communication.](#)