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# Affordable Care Act Reporting – Forms 1094 & 1095

February 2, 2016  
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# Firm Overview

Since 1956, Schneider Downs & Co., Inc. provides accounting, tax, and business advisory services to a number of companies in varying industries.

- Ranked as one of the 55-largest accounting and business advisory firms in the U.S.;
- Fourth-largest certified public accounting and business advisory firm in Western PA and ninth largest in Columbus, OH.;
- Founded in 1956 with rapid growth over the past 35 years, from 50 employees in 1980 to nearly 400 today, including 38 shareholders;
- Active industry service groups include:  
Manufacturing, Distribution, Construction and Real Estate, Automobile Dealerships, Energy and Resources, Transportation, Nonprofit, Higher Education and Governmental Services.





# About Your Presenters

- Kathy Petrucci is a tax shareholder in our Columbus Ohio office. She has 22 years of experience in tax advisory services and has extensive experience working with a diversified number of industries, such as automotive, insurance, manufacturing, transportation, and not-for-profit.

## Education:

B.S., Accounting - Otterbein College

Master of Taxation, Capital University Law School

- Zack Davis is a tax manager in our Columbus Ohio office. He has 7 years of experience in tax advisory services and has extensive experience working with industry sectors ranging from construction, manufacturing, real estate, hospitality and technology.

## Education:

B.S., Accounting – Case Western Reserve University

Masters of Accountancy – Specializing in Taxation, Case Western Reserve University



# Agenda

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- Brief overview of ACA Employer Shared Responsibility requirement and Penalties
- ACA Reporting Requirement
  - Due Dates – When and How to File
  - What Information is Needed for Form Reporting
  - Form 1095-C Preparation Tips & Examples
  - Form 1094-C Preparation Tips
  - Form 1094-B & 1095-B Brief Overview
  - Reporting Non-compliance Penalties
  - Action Steps
- Q & A



# Employer Shared Responsibility – IRC 4980H

- The ‘employer shared responsibility’ is the requirement that Applicable Large Employers (ALEs) offer health insurance to their full-time employees, and their dependents to age 26.
  - A large employer is an employer who has 50 or more full-time employees, including full-time equivalent employees.
  - Must look at entities under common ownership and include those employees in the count!
  - Effective date – 1/1/15.
    - However, large employers who have 50 – 99 employees have been given an additional year to comply. Therefore, they are required to offer coverage beginning in 2016.



# Employer Shared Responsibility – IRC 4980H

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- **Common Ownership**

- In determining whether a company is subject to the Employer Shared Responsibility requirement, two or more companies that have *common ownership* may be treated as a single employer
- All employees of such companies must be counted in the determination of large employer if the companies form a controlled group or affiliated service group under IRC Sections §414(b), (c), (m), and (o)



# Employer Shared Responsibility – IRC 4980H

There are four primary types of common ownership groups:

- **Parent-subsidiary controlled group**
  - One corporation owns directly at least 80% of the voting power or value of another corporation
  - All other corporations of which 80% of voting power or value of stock owned by another member is included in the group
- **Brother-sister controlled group**
  - A group of two or more companies where five or fewer common owners (including individuals, estates, or trusts) own directly or indirectly (through the attribution rules under the Code) a “controlling interest” (at least 80%) of each group and have “effective control” (more than 50%)
- **Combined group (combination of two above)**
- **Affiliated service groups**
  - Generally entities connected by management or other services



# Employer Shared Responsibility - Penalties

- Section 4980H(a) – Payment/Penalty
  - Employers that don't offer insurance coverage to 95% (70% for 2015) of full-time employees (FTEs) will be subject to a penalty of \$2,000 times the employer's total number of FTEs if an employee receives a premium tax credit.  
*(Note: For 2015, exclude the first 80 FTEs. In 2016, exclude the first 30 FTEs.)*
- Section 4980H(b) – Payment/Penalty
  - Coverage offered, but coverage doesn't provide “minimum value” or isn't “affordable”. Penalty of \$3,000 per employee receiving premium tax credit.
  - **Affordable** – *Employee premium for lowest-cost of self-only coverage cannot exceed 9.56% of the employee's household income for the year (using any safe-harbor method).*
  - **Minimum value** – *must cover at least 60% of healthcare costs expected under plan*





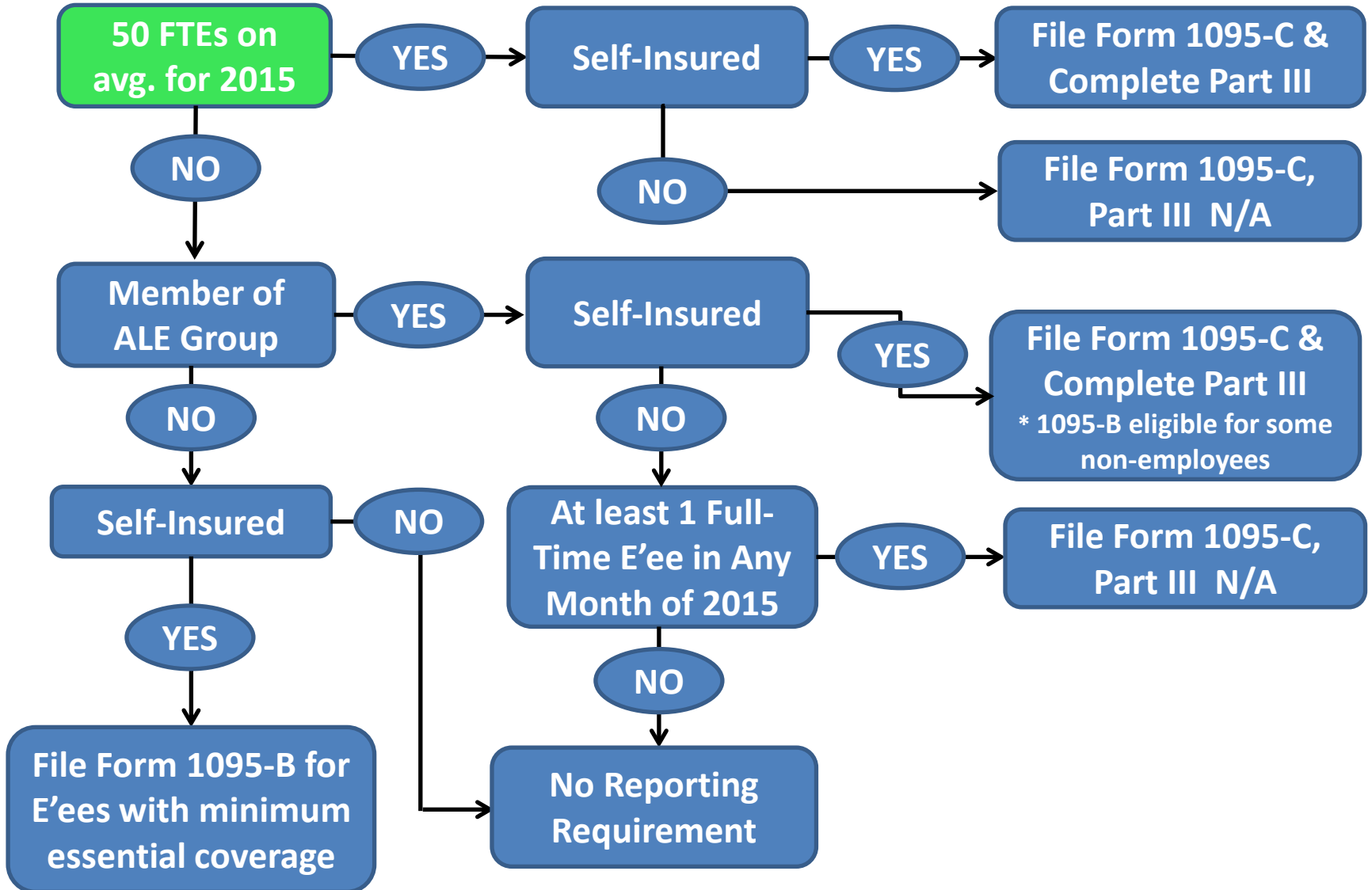
# Large Employer Reporting Requirement

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- Beginning in 2016, for 2015 reporting period, large employers (and small self-insured employers) are required to file forms that will be used by the IRS to determine if penalties under the employer shared responsibility provision apply and if employees can receive premium tax credits.
- Includes large employers with 50 to 99 employees even though the employer shared responsibility provision does not apply for 2015!



# ACA Reporting - Decision Tree





# ACA Reporting – When & How

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- To Employees and Covered Individuals
  - March 31<sup>st</sup> or next business day
  - Forms may be furnished electronically, but consent from recipient for electronic receipt required
- To IRS
  - May 31<sup>st</sup> or next business day if paper filed
  - June 30<sup>th</sup> or next business day if e-filed
  - E-filing mandatory if filing 250 or more Forms 1095-B or 1095-C (250 rule applies to each form separately)



# ACA Reporting – Required Information

- Full-time employee's name, address, and SSN
- Employer's name, address, and FEIN
- Whether employee, and employee's spouse and dependents were offered minimum coverage each month and whether coverage was affordable
- Amount of employee's portion of lowest cost monthly premium available for single coverage
- Employee's employment status by month (including Non-Limited Assessment Period)
- The affordability safe harbor applicable for the employee
- Whether the employee was enrolled in the plan
- If health plan is self-insured, the name and SSN (or DOB) of each employee and family member covered



# ACA Reporting - Forms

- **1095-C, Employer-Provided Health Insurance Offer and Coverage**
  - Filed by Applicable Large Employer (ALE), including self insured ALEs
  - Provided to IRS and full-time employees of the employer (for any employee qualifying as full-time for any month of calendar year)
  - Provides information for determining whether employer owes payment under section 4980H and eligibility of employees for premium tax credit
- **1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns (similar to W-3 or 1096)**
  - Filed with IRS only
  - Provides ALE summary information



# ACA Reporting – Form 1095-C

- **Part I**
  - General information about employee and ALE
- **Part II**
  - Indicate plan start month (optional for 2015)
  - Line 14 - Indicate type of coverage offered by month (Codes 1A – 1I, See handout)
  - Line 15 – Where codes 1B, 1C, 1D or 1E are entered on Line 14, provide amount of employee’s lowest cost monthly premium
  - Line 16 – Codes indicate eligibility to avoid penalties under 4980H (See handout)
- **Part III**
  - Completed only if employer offers employer-sponsored self-insured health coverage
  - Covered individual information and indication of months of coverage



# Form 1095-C, Part II, Line 14 Codes

- **Code 1A - Qualifying Offer:**
  - Minimum essential coverage providing minimum value offered to full-time employee with employee contribution for self-only coverage equal to or less than 9.56% (\$93.77 per month for 2015) mainland single federal poverty line (FPL); and
  - At least minimum essential coverage offered to spouse and dependent(s).
  - For 2015, the mainland single FPL is \$11,770.



# Form 1095-C, Part II, Line 14 Codes

- **Code 1B**

- Minimum essential coverage providing minimum value offered to employee only.

- **Code 1C**

- Minimum essential coverage providing minimum value offered to employee; and
- At least minimum essential coverage offered to dependent(s) (not spouse).

- **Code 1D**

- Minimum essential coverage providing minimum value offered to employee; and
- At least minimum essential coverage offered to spouse (not dependent(s)).

- **Code 1E**

- Minimum essential coverage providing minimum value offered to employee; and
- At least minimum essential coverage offered to dependent(s) and spouse.





# Form 1095-C, Part II, Line 14 Codes

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- **Code 1F**
  - Minimum essential coverage NOT providing minimum value offered to:
    - Employee; or
    - Employee and spouse or dependent(s); or
    - Employee, spouse and dependents.



# Form 1095-C, Part II, Line 14 Codes

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- **Code 1G**
  - Offer of coverage to employee who:
    - Was not a full-time employee for any month of the calendar year; and
    - Enrolled in self-insured coverage for one or more months of the calendar year.
    - Enter code 1G in the 'ALL' box and do not complete the monthly boxes.



# Form 1095-C, Part II, Line 14 Codes

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- **Code 1H**
  - No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage).



# Form 1095-C, Part II, Line 14 Codes

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- **Code 1I**
  - Qualifying Offer Transition Relief 2015—  
Employee (and spouse or dependents) received:
    - No offer of coverage;
    - An offer that is not a qualifying offer; or
    - A qualifying offer for less than 12 months.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2A**

- **Employee not employed during the month.**

- Use this code if the employee was not employed on any day of the month.
- Do not use this code if the individual is an employee of the ALE on any day of the month.
- Do not use this code for any month in which an employee terminates employment with the ALE.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2B**

- Employee not a full-time employee.

- Use this code if the employee:

- Is not a full-time employee for the month; and
- Did not enroll in minimum essential coverage, if offered, for the month.



# Form 1095-C, Part II, Line 16 Codes

- **Code 2C**

- **Employee enrolled in coverage offered.**

- Use this code for any month in which the employee enrolled in health coverage offered by the ALE, regardless of whether any other code in this code series might also apply.

**Note:** If the employee enrolled in employer-sponsored coverage, the IRS will not need any further information to determine an employer's compliance with the employer shared responsibility rules or an employee's eligibility for a subsidy. Employees who are enrolled in employer-sponsored coverage are not eligible for a subsidy (regardless of whether the coverage is affordable or provides minimum value), and therefore cannot trigger an employer shared responsibility penalty for the employer.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2D**

- **Employee in a Section 4980H(b) Limited Non-Assessment Period.**

- Use this code for any month during which an employee is in a Limited Non-Assessment Period.
    - A Limited Non-Assessment Period is a period during which an ALE will not be subject to a Section 4980H penalty for a full-time employee, regardless of whether that employee is offered health coverage during that period.





# Form 1095-C, Part II, Line 16 Codes

- **Code 2E**

- **Multiemployer interim rule relief.**

- Use this code for any month for which the multiemployer interim guidance applies for that employee.
- This multiemployer interim guidance provides that an ALE is treated as offering health coverage to an employee if the ALE is required by a collective bargaining agreement to make contributions for that employee to a multiemployer plan that offers affordable, minimum value self-only coverage, and also offers health coverage to the employee's dependents.
- This code should be used if applicable instead of the affordability safe harbors (2F, 2G, or 2H) if applicable.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2F**

- **Section 4980H Affordability Form W-2 Safe Harbor.**

- Use this code if the ALE used the Form W-2 safe harbor to determine affordability for this employee for the year.
- The Form W-2 safe harbor measures affordability of employer-sponsored coverage based on an employee's Form W-2 wages (reported in Box 1) from that ALE.
- 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.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2G**
  - **Section 4980H Affordability Federal Poverty Line Safe Harbor.**
    - Use this code if the ALE used the federal poverty line safe harbor to determine affordability for any month(s).
    - The federal poverty line safe harbor measures affordability of employer-sponsored coverage based on the federal poverty line for a single individual in effect within six months before the first day of the plan year.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2H**

- **Section 4980H Affordability Rate of Pay Safe Harbor.**

- Use this code if the employer used the rate of pay safe harbor to determine affordability for this employee for any month(s).
    - The rate of pay safe harbor measures affordability of employer-sponsored coverage based on an employee's rate of pay.



# Form 1095-C, Part II, Line 16 Codes

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- **Code 2I**

- Non-calendar year transition relief applies to this employee.

- Use this code if Section 4980H(b) non-calendar year transition relief applies to this employee for the month.
- If certain conditions are met, an ALE that has a non-calendar year plan may be treated as offering minimum essential coverage that is affordable and provides minimum value for the months prior to the 2015 plan year.



# Examples – Form 1095-C, Lines 14-16

- Ongoing full-time employee
  - Employee, family enrolled in minimum value coverage
  - Self-only, minimum value coverage is \$110/month
  - Information is the same for each month of the calendar year

<b>Part II Employee Offer and Coverage</b>													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)	1E												
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$ 110	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C												



# Examples – Form 1095-C, Lines 14-16

- Ongoing full-time employee (self-insured plan)
  - Employee and spouse enrolled in minimum value self-insured plan all year; child added in July
  - Self-only, minimum value coverage is \$110/month

<b>Part II Employee Offer and Coverage</b>													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)	1E												
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$ 110	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C												

**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	Employee	333-33-3333		<input checked="" 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	Spouse	444-44-4444		<input checked="" 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	Child		07/01/2015	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



# Examples – Form 1095-C, Lines 14-16

- Ongoing full-time employee
  - Coverage offered to employee, spouse, and dependents
  - Employee waived coverage at open enrollment
  - Self-only, minimum value coverage is \$110/month
    - Employer set employee contributions using W-2 safe harbor

<b>Part II Employee Offer and Coverage</b>													
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)	1E												
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$ 110	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)	2F												





# Examples – Form 1095-C, Lines 14-16

- Ongoing full-time employee
  - Coverage offered to employee, spouse, and dependents
  - Employee waived coverage at open enrollment
  - Self-only, minimum value coverage is \$500/month and no affordable safe harbor is met

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)	1E												
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$ 500	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)													



# Examples – Form 1095-C, Lines 14-16

- Newly hired full-time employee
  - Employee hired March 15<sup>th</sup>
  - Waiting period: employees eligible on 1<sup>st</sup> of month after 60 days of employment
  - “Qualifying Offer” made on June 1<sup>st</sup>

Part II Employee Offer and Coverage		Not offered coverage					Offered coverage						
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1H	1H	1H	1H	1H	1A	1A	1A	1A	1A	1A	1A
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2A	2D	2D	2D	2C	2C	2C	2C	2C	2C	2C

Not yet an employee (Jan, Feb)  
 Waiting period (Mar, Apr, May)  
 Enrolled in coverage (June, July, Aug, Sept, Oct, Nov, Dec)



# Variable Hour Employees

- **Variable Hour Employees**
  - Employees whose hours fluctuate
  - Employer not sure if employee is full-time or not
- **Two Ways to Measure**
  - Monthly Measurement (Actual Monthly Hours)
  - Look-Back Measurement
    - Based on measurement period between 3-12 consecutive months
    - Full-time vs. part-time status not determined until end of measurement period
    - Employee's status stays the same for following stability period (greater of 6 months or length of measurement period)
    - Look-Back method must be used consistently for all employees or employee classes



# Examples – Form 1095-C, Lines 14-16

- Newly hired variable hour employee (Look-Back Method)
  - Employee hired April 1<sup>st</sup> with variable schedule
  - Employee works 120 hours per month from April through September 2015
  - Employee works 140 hours per month from October 2015 through March 2016
  - Initial measurement period April 1, 2015 through March 31, 2016 under the Look-Back Method
  - No Form 1095-C for 2015 – not (yet) a full-time employee until end of the measurement period



# Examples – Form 1095-C, Lines 14-16

- Newly hired variable hour employee (cont'd)
  - Employee averages over 30 hours/week
  - No waiting period; employee is eligible first of month following end of initial measurement period
  - Form 1095-C for 2016:

	Not offered coverage			Offered coverage									
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1H	1H	1H	1E	1E	1E	1E	1E	1E	1E	1E	1E
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2B	2B	2B	2C	2C	2C	2C	2C	2C	2C	2C	2C

Enrolled in coverage



# Examples – Form 1095-C, Lines 14-16

- Newly hired variable hour employee (Monthly Measurement)
  - Employee hired April 1st with variable schedule
  - Employee works 120 hours per month from April through September 2015
  - Employee works 140 hours per month from October 2015 through March 2016
  - No measurement period under monthly method
  - No waiting period to begin coverage per employer’s plan
  - In this example, the employer must offer coverage by October 1<sup>st</sup> 2015 or potentially be subject to penalties.

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1H	1H	1H	1H	1H	1H	1H	1H	1H	1E	1E	1E
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 110	\$ 110	\$ 110
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2A	2A	2B	2B	2B	2B	2B	2B	2F	2F	2F



# Examples – Form 1095-C, Lines 14-16

- Terminated employee (enrolled in coverage)
  - Employee enrolled in coverage at open enrollment January 1st
  - Self-only, minimum value coverage is \$110/month
  - Employment terminated on August 15<sup>th</sup>;
  - Plan offers coverage through the end of the month in which the employee terminated

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2A	2A	2A	2A



# Examples – Form 1095-C, Lines 14-16

- Terminated employee (enrolled in coverage)
  - Employee enrolled in coverage at open enrollment January 1st
  - Self-only, minimum value coverage is \$110/month
  - Employment terminated on August 15<sup>th</sup>;
  - Plan offers coverage through the date of termination

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2B	2A	2A	2A	2A





# Examples – Form 1095-C, Lines 14-16

- Terminated employee

- Employee waived coverage at open enrollment
- Self-only, minimum value coverage is \$110/month
  - Employer set employee contributions using W-2 safe harbor
- Employment terminated on August 15<sup>th</sup>
- Plan offers coverage through the end of the month in which the employee terminated

<b>Part II Employee Offer and Coverage</b>		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)			1E	1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$		\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110				
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)			2F	2F	2F	2F	2F	2F	2F	2B	2A	2A	2A	2A

Offered coverage
Not offered coverage

Offer satisfies safe harbor
Employed part of Aug.; then not an employee



# Examples – Form 1095-C, Lines 14-16

- Full-time employee reduced to part time (COBRA accepted)
  - Employee, family enrolled in minimum value coverage
  - Self-only, minimum value coverage is \$110/month
  - Employee is reduced to part-time on August 1st; plan offers coverage through date of eligibility
  - Employer uses monthly measurement and part-time employees not eligible for coverage under the plan as of the date they are no longer full-time
  - COBRA offered and accepted for family; \$300/month for single coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C



# Examples – Form 1095-C, Lines 14-16

- Full-time employee reduced to part time (COBRA declined)
  - Employee, family enrolled in minimum value coverage
  - Self-only, minimum value coverage is \$110/month
  - Employee is reduced to part-time on August 1st; plan offers coverage through date of eligibility
  - Employer uses monthly measurement and part-time employees not eligible for coverage under the plan as of the date they are no longer full-time
  - COBRA offered and declined for family; \$300/month for single coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2B	2B	2B	2B	2B



# Examples – Form 1095-C, Lines 14-16

- Terminating employee elects COBRA coverage
  - Employee, family enrolled in minimum value coverage
  - Self-only, minimum value coverage is \$110/month
  - Employment terminated on July 15<sup>th</sup>, plan offers coverage through date of termination
  - COBRA offered and accepted for family; \$300/month for single coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C	2C



# Examples – Form 1095-C, Lines 14-16

- Terminating employee declines COBRA coverage
  - Employee, family enrolled in minimum value coverage
  - Self-only, minimum value coverage is \$110/month
  - Employment terminated on July 15<sup>th</sup>, plan offers coverage through date of termination
  - COBRA offered and declined for family; \$300/month for single coverage

	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>14</b> Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H	1H
<b>15</b> Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$	\$	\$	\$	\$	\$
<b>16</b> Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2B	2A	2A	2A	2A	2A



# ACA Reporting – Form 1094-C

- Part I
  - General information about ALE
  - Total number of Forms 1095-C submitted with transmittal
- Part II
  - ALE Group Member information
  - Certifications of Eligibility
    - Indicate whether the employer meets the eligibility requirements and is using one of the Offer Methods and/or one of the forms of Transition Relief
- Part III
  - Indicate whether Minimum Essential Coverage offer was made to 95% of full-time employees by month
  - Full-time employee count by month
  - Total employee count by month
  - Indicate whether ALE was an ALE Group Member by month
  - Indicate type of Section 4980H Transition Relief if applicable (Code A when less than 100 full-time employees, Code B when 100 or more full-time employees)
- Part IV (Aggregate ALE Group Members Only)
  - Provide name and FEIN of other ALE Group Members



# ACA Reporting – Form 1094-C

- Part II, Line 22
  - Qualifying Offer Method – Box A
    - Employer eligible for method when it provides a Qualifying Offer (Code 1A) to an employee for all months in which the employee is full-time
    - For any applicable full-time employees, the employer fills out only Line 14 in Part II of Form 1095-C for any month where Line 14 is Code 1A
    - Fully insured employers may provide a general statement about the employee’s healthcare to any employee receiving a Qualifying Offer for all 12 months instead of Form 1095-C



# ACA Reporting – Form 1094-C

- Part II, Line 22
  - Qualifying Offer Method Transition Relief – Box B
    - Employer eligible for method when it provides a Qualifying Offer (Code 1A) to 95% of its full-time employees for any month in the calendar year
    - For any month which this applies, the employer fills out only Line 14 in Part II for all Forms 1095-C it files and only uses codes:
      - 1A if the employee received a qualifying offer for the month (should apply to approximately 95% or more of the Forms 1095-C for given month)
      - 1I if the employee did not receive a qualifying offer for the month (should apply to approximately 5% or less of Forms 1095-C for given month)
    - Fully insured employers may provide a general statement about the employee's healthcare to any employee receiving a Qualifying Offer for all 12 months instead of Form 1095-C





# ACA Reporting – Form 1094-C

- Part II, Line 22
  - Section 4980H Transition Relief – Box C
    - 50-99 FTE Relief
      - No Section 4980H penalty will apply for any calendar month during 2015.
      - Eligibility based on the following conditions:
        - The employer is an ALE or is part of an Aggregated ALE Group that had 50 to 99 full-time employees in 2014
        - During the period of February 9, 2014, through December 31, 2014, the ALE or the Aggregated ALE Group did not reduce its workforce or reduce the hours of service of its employees in order to qualify
        - During the period of February 9, 2014, through December 31, 2015 (for calendar year end plans) the ALE or Aggregated ALE Group does not eliminate or materially reduce the health coverage, if any, it offered as of February 9, 2014.



# ACA Reporting – Form 1094-C

- Part II, Line 22
  - Section 4980H Transition Relief – Box C
    - 100 or more FTE Relief
      - IRS reduces the employer’s full-time employee count by 80 full-time employees in calculating penalties under section 4980H(a), when employer does not offer any health coverage to an employee the employer is required to offer coverage to



# ACA Reporting – Form 1094-C

- **Part II, Line 22**

- **98% Offer Method – Box D**

- Employer must offer of minimum essential coverage providing minimum value that is affordable to 98% of full-time employees
    - If the employer is confident it has provided coverage to 98% of those employees it is supposed to offer coverage to, then it does not have to actually go through the process of determining whether those employees are full-time or not
    - The employer still has to file Form 1095-C for all full-time employees however
    - If employer selects this method, it does not have to complete the “Full-Time Employee Count” in Part III, column (b) of Form 1094-C



# ACA Reporting - Forms

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- **1095-B, Health Coverage**
  - Filed by the insurance issuers and non-ALE self insured employers
  - Provided to IRS and covered individuals who received minimum essential coverage
  - Provides information for individuals regarding individual shared responsibility on Form 1040
- **1094-B, Transmittal of Health Coverage Information Returns (similar to W-3 or 1096)**
  - Filed with IRS only
  - Insurer information and number of Forms 1095-B submitted



# ACA Reporting - Forms

- **Form 1095-B**

- Part I – Responsible Individual
  - Information regarding the recipient/primary name on coverage
- Part I, Line 8 - Enter the letter identifying the origin of the policy.
  - A. Small Business Health Options Program (SHOP).
  - B. Employer-sponsored coverage.
  - C. Government-sponsored program.
  - D. Individual market insurance.
  - E. Multiemployer plan.
  - F. Other designated minimum essential coverage.
- Part I, Line 9 – Leave blank for 2015



# ACA Reporting - Forms

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- **Form 1095-B**

- **Part II**

- Insurance companies entering codes A or B on line 8 will complete Part II.
    - Employers reporting self-insured coverage enter code B on line 8 (in Part I), but skip Part II and go to Part III
    - Third party insurance providers complete Lines 10-15. Enter the name, EIN, and complete mailing address for the employer sponsoring the coverage.



# ACA Reporting - Forms

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- **Form 1095-B**

- **Part III**

- **Lines 16–22.** Enter your name, EIN, and complete mailing address. The provider of the coverage is the issuer or carrier of insured coverage, sponsor of a self-insured employer plan, government agency providing government-sponsored coverage, or other coverage sponsor. Enter on line 18 the telephone number an individual seeking additional information may call to speak to a person.



# ACA Reporting - Forms

- **Form 1095-B**

- *Part IV—Covered Individuals*

- Column (a). Enter the name of each covered individual.
    - Column (b). Enter the nine-digit SSN or other TIN for each covered individual (111-11-1111). The field may be left blank if the covered individual does not have a TIN. See *Statements Furnished to Individuals*, earlier, for information on truncating the SSN or other TIN.
    - Column (c). Enter a date of birth (YYYY-MM-DD) for the covered individual only if an SSN or other TIN isn't entered in column (b).
    - Column (d). Check this box if the individual was covered for at least one day per month for all 12 months of the calendar year.
    - Column (e). If the individual wasn't covered for all 12 months, check the applicable box(es) for the months in which the individual was covered for at least one day. If there are more than six covered individuals, complete this information for the additional covered individuals on Part IV, Continuation Sheet(s).





# Employer Reporting - Penalties

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- Section 6721 & 6722 – Reporting Penalties
  - Section 6721 - Failure to timely file correct returns to the IRS.
  - Section 6722 - Failure to timely furnish correct forms to FTEs and covered individuals.
  - Reporting penalties are \$250 per return, up to \$3,000,000 maximum
  - Relief from reporting penalties on incorrect and/or incomplete information for 2015 if filer can show good faith effort to comply



# ACA Reporting – Action Steps For ALEs

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- Read Publication 5196 (Brochure) to gain understanding of requirements
- Review ownership structure of related companies and perform controlled/affiliated service group analysis
- Discuss and determine data collection and reporting responsibilities with health plan's third-party administrator and payroll provider
- Review Form 1094-C and 1095-C instructions (1094-B & 1095-B if applicable)



# ACA Reporting – Action Steps For ALEs

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- Set up process and begin tracking employees' full time status by month
- Track hours of part-time employees
- Develop procedures and begin collecting information about offers of health coverage and health plan enrollment by month
- Assess affordability of the plans
- Identify the amount of employee's portion of lowest cost monthly premium available for single coverage by month



# Thank You

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Please contact us for additional information or questions.

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## Additional Reference Material



# Calculating FTEs and FTEEs

- Determine the total number of employees each month during the preceding calendar year.
  - Step #1 – calculate who is an FTE (“full time employee”) – an employee who works 30+ hours per week
  - Step #2 – calculate FTEE (“full time employee equivalent”) – Special calculation for part time employees who work more than 120 days per year.
    - Take total hours of part time employees per month / 120.
    - Result is the number of FTEEs.
  - Add Step #1 and #2 to get total per month
- Add the total number of employees each month together and divide by 12 for the average number of FTEs and FTEES per month
- If the employer averages 50 or more employees then the employer has a filing requirement
  - \*Be sure to look at entities under common ownership for large employer groups



# Calculating FTEs and FTEEs

(A)

Full Time  
Employees

= Avg. 30+  
hrs./week  
or 130+  
hrs./month

(B)

Part Time  
Employees

Total  
combined  
monthly  
hrs./120

(A) + (B)

= Full Time  
Equivalent  
Employees  
(FTEEs)



# Calculating FTEs and FTEEs

- Application to New Employers
  - An employer that was not in existence on any business day in the prior calendar year is an ALE for the current calendar year if it reasonably expects to employ, and actually does employ, an average of at least 50 full-time employees (including full-time equivalent employees) on business days during the current calendar year
- 2015 Transition Rule for Determining Workforce Size
  - A transition rule for 2015 allows an employer to use any consecutive six-month period during 2014 to measure its workforce size, rather than using the full 12 months of 2014.





# Large Employer Status

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- **Common Ownership and Controlled Groups**
  - In determining whether a company is subject to the Employer Shared Responsibility requirement, two or more companies that have *common ownership* may be treated as a single employer
  - All employees of such companies must be counted in the determination of large employer under ACA if the companies form a “controlled group”



# Controlled Groups

## Why Do Controlled Groups Matter?

- You might be a large employer when you think you're small
  - Example: You have common ownership of dealership A with 30 employees and dealership B with 30 employees. Dealership A and dealership B are a controlled group and both are considered a large employer.
- You own another company you think is “small,” but should be considered a large employer under ACA
  - Example: You have common ownership of dealership A with 80 employees and restaurant B with 5 employees. Dealership A and restaurant B are a controlled group and both are considered a large employer.



# Controlled Groups

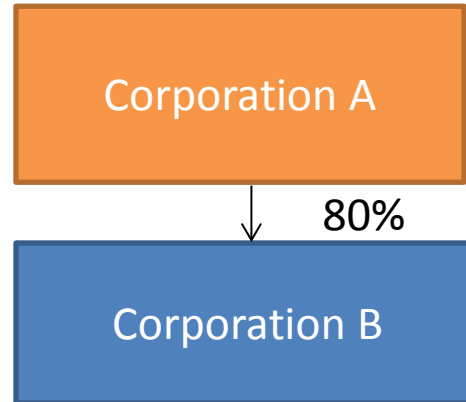
There are four primary types of controlled groups:

- **Parent-subsidiary controlled group**
  - One corporation owns directly at least 80% of the voting power or value of another corporation
  - All other corporations of which 80% of voting power or value of stock owned by another member is included in the group
- **Brother-sister controlled group**
  - A group of two or more companies where five or fewer common owners (including individuals, estates, or trusts) own directly or indirectly (through the attribution rules under the Code) a “controlling interest” (at least 80%) of each group and have “effective control” (more than 50%)
- **Combined group (combination of two above)**
- **Affiliated service groups**



# Controlled Groups

## Parent-Subsidiary controlled group example

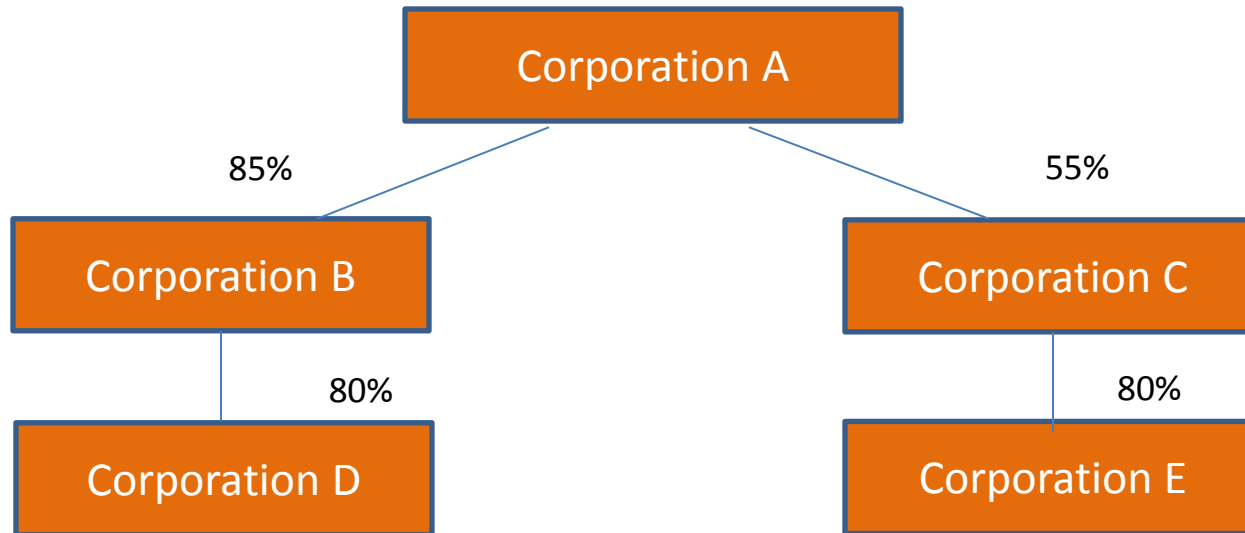


Corporation A and corporation B are considered members of a controlled group because corporation A owns at least 80% of corporation B.”



# Controlled Groups

## Multi parent-subsubsidiary controlled group example



Group 1 - Corporation A, corporation B and corporation D are all considered members of a controlled group because A owns at least 80% of corporation B and corporation B owns at least 80% of corporation D.

Group 2 - Corporations C and E are members of a separate controlled group because corporation C owns at least 80% of corporation E.



# Controlled Groups

## Brother-sister controlled group example #1

Owner	Company A	Company B	Total
Jones	35%	10%	10%
Mays	25%	20%	20%
Brown	20%	10%	10%
Smith	15%	20%	15%
White	5%	40%	5%
Total	100% (yes)	100%(yes)	60% (yes)

- Group 1 - Corporations A and B will be an applicable large employer under the ACA because 1) five or fewer shareholders own at least 80% of each corporation (100% of A and 100% of B), and 2) the same five or fewer shareholders own more than 50% of both corporations, (60%) taking into account identical ownership



# Controlled Groups

## Brother-sister controlled group example #2

Owner	Company A	Company B	Total
Jones	45%	10%	10%
Mays	5%	20%	5%
Brown	30%	10%	10%
Smith	15%	20%	15%
White	5%	40%	5%
Total	100% (yes)	100%(yes)	45% (no)

- Group 1 - Corporations A and B will not be an applicable large employer under the ACA because although 1) five or fewer shareholders own at least 80% of each corporation (100% of A and 100% of B), 2) the same five or fewer shareholders do not own more than 50% of both corporations, (45%) taking into account identical ownership



# Controlled Groups

## Brother-sister controlled group example #3

Owner	Company A	Company B	Company C	Total
Jones	40%	10%	30%	30%, 10%
Mays	25%	20%	20%	20%, 20%
Brown	0%	30%	10%	0%, 10%
Smith	35%	40%	40%	35%, 40%
Total A & B & C	100% (yes)	70% (no)	90% (yes)	85% (yes A & C)
Total B & C		100% (yes)	100% (yes)	80% (yes B & C)

- Group 1 - Corporations A and C will be an applicable large employer under the ACA because 1) five or fewer shareholders own at least 80% of each corporation (100% of A and 90% of C), and 2) the same five or fewer shareholders (of A & C) own more than 50% of both corporations, (85%) taking into account identical ownership
- Group 2 - Corporation B and corporation C will be an applicable large employer under the ACA because 1) five or fewer shareholders own at least 80% of each corporation (100% of B and 100% of C), and 2) the same five or fewer shareholders (of B & C) own more than 50% of both corporations, (80%) taking into account identical ownership





# Controlled Groups

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## Be aware of ownership attribution rules

- To and from parents, children, grandchildren
- To and from spouses (includes same sex spouses)
- To grantors and beneficiaries of trusts
- To beneficiaries of estates
- From companies to individuals with 5% ownership



# Affordability Safe Harbors

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- Coverage for an employee is “*affordable*” if the employee-paid portion of the premium (for the lowest-cost self-only coverage) is not more than 9.56% (for 2015) of the employee’s *household* income. Since most employers will not know the household income of their employees, they may determine affordability using any of the following three safe harbors:
  - Form W-2 Safe Harbor
  - Rate-of-pay Safe Harbor
  - Federal Poverty Line (“FPL”) Safe Harbor



# Affordability Safe Harbors

- *Form W-2 Safe Harbor*
  - Under this safe harbor, a large employer can satisfy the affordability requirement if the employee's portion of the health insurance premium (for the employer's lowest cost self-only coverage) does not exceed 9.56% of that employee's Form W-2, box 1, wages from the employer. This is the most common method that will be used by employers.
- *Rate of Pay*
  - Under this safe harbor, affordability is based on the rate of pay as of the beginning of the coverage period (usually the first day of the plan year). For an hourly employee, the monthly wage equals the hourly rate of pay times 130 hours (for a salaried employee, it is the monthly salary). If the employee's monthly contribution (for the employer's lowest cost self-only coverage) does not exceed 9.56% of the monthly wages, the employer coverage would be deemed affordable.
- *Federal Poverty Line Safe Harbor ("FPL")*
  - Under this safe harbor, employer-sponsored coverage is considered affordable if the employee's monthly cost (for the lowest-cost self-only coverage) does not exceed 9.56% of the FPL (\$93.76 for 2015) for a single individual.