The Affordable Care Act (ACA) added significant new reporting requirements to the Internal Revenue Code (IRC). IRC section 6056 requires each Applicable Large Employer (ALE) subject to the Employer Shared Responsibility requirements of IRC Section 4980H to report on their employer-sponsored coverage. This reporting is designed to assist the Internal Revenue Service (IRS) with enforcing the Employer Shared Responsibility requirements and with facilitating the administration of the premium tax credit. This Briefing outlines the reporting requirements under IRC section 6056.

There are two components to the reporting requirements:

1. Reporting to the IRS – ALEs must report information to the IRS about their employer-sponsored coverage and to whom it is offered.

2. Reporting to the Employee – A statement must be provided to each employee identified in the IRS reporting.

Responsibility for Reporting

All ALEs are responsible for reporting under IRC section 6056 but may contract with third parties to report on their behalf; however, the ALE remains liable for any failure to comply.

ALEs that are government employers may report on their own behalf or may designate as the reporting entity another governmental unit or agency that is part of, or related to, the same governmental unit as the employer. In this case, the designated party assumes liability for any failure to comply. The designation must be in writing, signed by both parties and made before the filing deadline. The designating employer must retain a copy for its records.

Information to be Reported

Under the general reporting method, the following information must be reported to the IRS and included in the statement provided to the employee:

- ALE’s name, address and employer identification number (EIN) plus the name and phone number of the ALE’s contact person.

- The calendar year for reported information and the number of full-time employees for each calendar month.

- Certification of whether the ALE offered its full-time employees (and their dependents) minimum essential coverage (MEC) by calendar month.

- For each full-time employee, the months during the calendar year for which MEC was available.
• Name, address, tax identification number (TIN) of each full-time employee and the months, if any, the employee was enrolled in the plan.

• For each full-time employee, the employee’s required contribution for the lowest cost self-only coverage that provides minimum value (MV) by calendar month.

In addition, the following information will be reported through the use of indicator codes:

• Whether the MEC offered to full-time employees (and their dependents) provides MV and whether the employee had an opportunity to enroll their spouse.

• Total number of employees by calendar month.

• Whether the employee’s effective date of coverage was impacted by a permissible waiting period.

• Whether the ALE had no employees or no credited hours of service during any calendar month.

• Whether the employer is a member of an aggregated group and, if so, the name and EIN of each employer member comprising the ALE.

• If the ALE designated another party to report on its behalf, the name, address and EIN/TIN of the reporting entity or person.

• If the ALE is contributing to a multi-employer plan, the ALE must certify whether or not it is subject to any IRC section 4980H penalty due to contributions to that plan.

The IRS expects that additional information will be reported through the use of indicator codes, including whether MEC providing MV was offered as self-only or family coverage, whether coverage was offered to a particular employee for the calendar month although the employee was not full-time, whether an affordability safe harbor was met with respect to the employee, and whether coverage was not offered to a particular employee because the employee was in a limited non-assessment period, was not a full-time employee, was not employed by the ALE for that month or another applicable exception.

**FORMS FOR REPORTING**

The regulations allow for combined IRC section 6055 and 6056 reporting for ALEs on Form 1095-C, which will be filed along with a transmittal Form 1094-C. An ALE with a self-insured plan will complete both portions of the form for the IRC section 6055 and IRC section 6056 reporting. An ALE with a fully-insured plan will only complete the portion applicable to the IRC section 6056 reporting.

There is no specified form for the statement that must be provided to the employee but the ALE can provide a copy of Form 1095-C in lieu of a separate statement.

**Note:** The forms for reporting under IRC sections 6055 and 6056 have not yet been released by the IRS.
METHODS AND TIMING FOR REPORTING

High-volume filers are required to file electronically with the IRS. A reporting entity will be considered a high-volume filer if it is required to file at least 250 of a single form (i.e., 250 of Form 1095-B or 250 of Form 1095-C). Other filers may choose to file electronically. If not filing electronically, returns must be filed with the IRS no later than February 28th of the year immediately following the calendar year to which the form applies. Returns must be filed by March 31st if filing electronically. For calendar year 2015, the first returns must be filed no later than March 1, 2016 (February 28, 2016 is a Sunday) or March 31, 2016, if filed electronically.

Statements to the employee may also be provided electronically but only if certain notice, individual consent, software and hardware requirements are met. Statements must be provided on or before January 31st of the year immediately following the calendar year to which the statement applies. For calendar year 2015, the first statements must be provided on or before January 31, 2016.

ALTERNATIVE METHODS FOR REPORTING

The IRS offers some simplified reporting methods that limit the amount of information that will be reported.

- Reporting Based on Certification of Qualifying Offers

  The ALE must certify it made a qualifying offer of coverage to a particular full-time employee for all 12 months in the calendar year. A qualifying offer of coverage is defined as MEC that provides MV with an employee cost for self-only coverage that does not exceed 9.5 percent of the federal poverty level and includes an offer of MEC to the employee’s dependents and spouse. For each full-time employee meeting this requirement, the ALE will only report the employee’s name, TIN and address to the IRS and provide a simplified statement to the employee. For any full-time employees that do not fit into this simplified method, the ALE must report under the general method.

- Certification of Qualifying Offers for 2015

  The ALE must certify it made a qualifying offer of coverage (as defined above) to at least 95 percent of its full-time employees, to their spouses and dependents for all 12 months or the specific months it was not made. Under this method, the ALE will only report the employee name, TIN and address to the IRS and provide a simplified statement to the employee. This method is available for 2015 only.

- 98 Percent Offered Coverage

  The ALE must certify that it offered MEC providing MV that was affordable (under any of the affordability safe harbors) to at least 98 percent of its employees. Under this method, the reporting will consist only of a certification that it meets the requirements. There is no identification of full-time employees or specifying the number of full-time employees required.

PENALTIES FOR NON-COMPLIANCE

There are substantial penalties for failing to file a return with the IRS, failing to provide a statement to the employee in a timely manner, failing to include all the required information or providing incorrect information.
The penalties are $100 for each failure up to a maximum of $1.5 million. However, relief is available for failure to comply due to reasonable cause. For the initial 2016 reporting, the IRS stated it will not impose penalties if good faith efforts to comply are timely made; however, this is only for incorrect or incomplete information reported. Penalties will be assessed if good faith efforts to comply are not made or there is no timely filing of a return or statement.

**REPORTING FOR EMPLOYERS ELIGIBLE FOR TRANSITION RELIEF UNDER IRC SECTION 4980H**

Reporting for ALEs who have 50 to 99 full-time employees and who are eligible for the 2015 transition relief provided in the final regulations for IRC section 4980H, will consist of a certification on transmittal Form 1094-C that the ALE meets the eligibility requirements for the relief.

More information about the transition relief is available in our February 2014 Briefing.


Please contact your Keenan Account Manager for questions regarding this Briefing or if you require any additional information regarding the Affordable Care Act.