

Updated IRS Forms for Employer Reporting under Section 6055 and 6056

The IRS released the 2015 draft Forms 1094 and Forms 1095 for reporting under IRS code Section 6055 and Section 6056 as required by the Affordable Care Act (ACA) in June 2015. Forms 1094 and 1095 transmit information to both the IRS and individuals covered under the health plan on whether the plan is offering minimum essential coverage (MEC) and if the employer qualifies as an applicable large employer (ALE).

The updated 2015 draft Forms 1094 and 1095 have made a few key changes from the 2014 versions; however, the IRS has indicated that the 2015 forms are not yet finalized and are still subject to change. The biggest difference in the forms comes on Form 1095-C which now includes a field for employers to indicate the “plan start month”. The “plan start month” field will be optional for employers when filing in 2015 but will be required in 2016 and beyond. Also, in subsequent years, employers filing will need to indicate via codes on Form 1095-C whether the employer’s offer of coverage to an employee’s spouse is a conditional offer. Reporting using Forms 1094 and 1095 will begin in early 2016 for health coverage that was provided in 2015. The forms may be accessed on the IRS website or the following links:

[Form 1094-C](#) [Form 1095-C](#) [Form 1094-B](#) [Form 1095-B](#)

New increased penalties in 2016 for employer reporting

Penalties associated with employer reporting under Section 6055 and 6056 have been significantly increased for 2016 when President Obama signed the Trade Preferences Extension Act of 2015. The bill included increases for the failure to file an array of tax reporting forms including reporting under Section 6055 and 6056. The following details some of the more significant penalty increases:

- The penalty for failing to file an information return or provide a payee statement increased from \$100 per return to \$250 per return.
- The annual failure to file penalty cap was increased for non-willful failures to file from \$1,500,000 to \$3,000,000.
- For failure to file an information return or provide a payee statement due to intentional disregard fine doubles from the previous amount of \$250 per return to \$500 per return with no cap on the amount of penalties.

Overview of Reporting

Responsibility for reporting and the information reported may vary depending on how a plan is funded (fully insured or self-funded), the offer of coverage an employer makes, or whether an employer qualifies for simplified reporting. The information that the employer may be responsible for reporting includes: employer and employee demographic information, employee enrollment data on a monthly

level, full-time employee count for each month, level of coverage offered on a monthly basis, and certain dependent information. This is not an exhaustive list of information or action required for reporting.

Reporting Minimum Essential Coverage (MEC)

Any person, including health insurance issuer, self-insured employer, government agency and other entities that provide minimum essential coverage to an individual during a calendar year must report certain information to the IRS and to the individuals receiving health coverage.

Form 1094-B and Form 1095-B will be used to transmit MEC information to the individual and the IRS which will be used to verify the months in a calendar year an individual received coverage and if the coverage met the standards for MEC. The IRS and the individual will use this information to determine if an individual penalty applies due to a lack of required coverage.

Applicable Large Employer Reporting (ALE)

An ALE is an employer that had an average of at least 50 full-time employees during the preceding calendar year. Form 1094-C and Form 1095-C will be used by ALE's to transmit information regarding health coverage offered in the applicable year and enrollment information pertaining to the full-time employees.

The IRS will use this information to help administer the employer shared responsibility penalties. In addition, employees will use this information to determine whether they may claim a premium tax credit on their individual income tax returns.

Simplified Reporting

Employers that make a qualifying offer to employees, spouses and dependents will qualify to report less employee data to the IRS that would otherwise be required for reporting. A qualifying offer is an offer of coverage that meets the minimum essential value standard of 60% minimum value and does not exceed affordability requirements.

Additionally, an employer may qualify for the 98% alternative simplified reporting by offering coverage to 98% of the full-time employee population for all 12 months of the applicable year. If an employer qualifies for simplified reporting it will eliminate the obligation to report on employee full-time status and full-time employee count.

Solutions for Reporting

Each organization has different and distinct support needs when it comes to preparing for reporting under Section 6055 and 6056 and compiling the necessary data. It is important to evaluate the

information needed for reporting and where that data is currently housed. It is not uncommon for the data to be housed in multiple locations or controlled by multiple outside vendors. Depending on where your data resides and who manages the data may influence decisions regarding tracking employee hours, reporting offers of coverage and actual enrollment (when required) for populating Forms 1094 and Forms 1095.

Partnering with Current Payroll Provider

If you are using an outside vendor that assists your organization with payroll, this may be a good starting point to address a reporting solution to comply with the employer mandate. This is a good starting point for evaluation because it is likely your payroll vendor will have access to most of the information that may be necessary for reporting and already has similar processes in place for W-2 reporting.

In-House Solutions

If your organization completes payroll functions internally, you should investigate solutions offered by your software provider. You may also want to weigh the pros and cons of creating your own tracking and reporting solution. If you are creating your own solution, it will take many hours to pull the data together and test it for accuracy.

Third-Party Stand-Alone Solution

When solutions offered through payroll vendors or software providers do not make sense and you do not want to risk going it alone, third party stand-alone vendors provide another option. Third party vendors take payroll data feeds and health provider feeds to merge the required data to populate Forms 1094 and 1095. These vendors often provide dashboard driven employee eligibility tracking, reporting Form population and audit support in the event you need it.

New reporting required under the ACA's employer mandate adds another layer of administrative burden on employers. We are here to help guide you through your questions, evaluate options and implement a solution. Implementation deadlines are looming with vendors. If you need assistance, please contact your HORAN representative for assistance.

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