



## Compliance Alert

### IRS Releases Final Forms and Instructions for Health Coverage Reporting

February 27, 2015

#### Quick Facts:

- On February 8, 2015, the IRS issued final forms and instructions for Section 6055 and 6056 health coverage reporting.
- Although these forms are not required to be filed for 2014, employers may voluntarily file in 2015 for 2014 coverage, using these forms and instructions.
- The final versions of the forms do not differ significantly from the draft versions.
- The final instructions provide a new option for some applicable large employers reporting information for non-employees.
- The IRS also issued a short guide designed to help employers prepare for reporting 2015 information in 2016.

The Affordable Care Act (ACA) created new reporting requirements under Internal Revenue Code (Code) Sections 6055 and 6056. Under these new reporting rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) to their employees. In general, an employer with 50 or more full-time employees (including full-time equivalents) during the prior calendar year is considered an applicable large employer (ALE).

On February 8, 2015, the Internal Revenue Service (IRS) released final versions of forms and related instructions that employers may use to report under Sections 6055 and 6056 for 2014. *These forms are not required to be filed for 2014, but reporting entities may voluntarily file them in 2015 for 2014 coverage.*

**Important note:** *Forms and instructions for 2015 reporting have not yet been released and may contain some changes from these 2014 versions.*

On February 9, 2015, the IRS also issued two-page “easy-to-read” guide, [Publication 5196, Understanding Employer Reporting Requirements of the Health Care Law](#), to help employers prepare for reporting 2015 information in 2016.



## Overview of Code sections 6055 & 6056

The Sections 6055 and 6056 reporting requirements are intended to promote transparency with respect to health plan coverage and costs. They will also provide the government with information to administer other ACA mandates, such as the employer and individual mandates.

Section 6055 requires health insurance issuers, and employers that sponsor self-insured health plans, that provides minimum essential coverage (MEC) to report information on that coverage to the IRS and covered individuals.

Section 6056 requires ALEs subject to the employer shared responsibility rules to report information on the health coverage offered to full-time employees to the IRS and those employees.

## Few changes in final forms

The final versions of the forms do not differ significantly from the draft versions. In general, the final instructions were edited to clarify existing requirements. However, the final instructions for Forms 1094-C and 1095-C did include a new option for applicable large employers (ALEs) reporting information for non-employees (such as non-employee directors, retired employees or non-employee COBRA beneficiaries) covered under employer-sponsored self-funded health coverage.

## Section 6055 forms and instructions

The following forms and instructions are available for use under Section 6055:

- [Form 1094-B, Transmittal of Health Coverage Information Returns](#)
- [Form 1095-B, Health Coverage](#)
- [Instructions for Forms 1094-B and 1095-B](#)

## Section 6056 forms and instructions

The following forms and instructions are available for use under Section 6056:

- [Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return](#)
- [Form 1095-C, Employer-Provided Health Insurance Offer and Coverage](#)
- [Instructions for Forms 1094-C and 1095-C](#)



### **Section 6055 reporting**

Under Section 6055, every person that provides minimum essential coverage (MEC) to an individual during a calendar year must file Forms 1094-B (a transmittal) and 1095-B (an information return), including:

- health insurance issuers or carriers;
- self-funded health plan sponsors;
- government agencies that administer government-sponsored health insurance programs; and
- any other entity that provides MEC.

Self-funded plan sponsors that are also ALEs subject to the employer shared responsibility rules will report information about the coverage in Part III of Form 1095-C, instead of on Form 1095-B. Employers with insured plans are *not* required to report under Section 6055.

### **Section 6056 reporting**

All ALEs (as defined under the employer shared responsibility rules) must file Form 1094-C (a transmittal) and Form 1095-C (an information return) for each full-time employee.

- Form 1094-C is used to report summary information for each employer to the IRS and to transmit Forms 1095-C to the IRS.
- Form 1095-C is used to report information about each employee.

These forms help the IRS determine whether an ALE owes penalties under the employer shared responsibility rules, as well as whether an employee is eligible for premium tax credits.

### **Combined reporting**

Form 1095-C will generally be used by ALEs to satisfy both the Section 6055 and 6056 reporting requirements, as applicable.

- An ALE that sponsors a self-funded plan will complete all sections of Form 1095-C to report the information required under both Sections 6055 and 6056. Therefore, these ALEs will be able to use a single form to report information regarding whether an employee was covered.
- An ALE that provides insured coverage will also report on Form 1095-C, but will complete only the sections of Form 1095-C related to Section 6056.

ALEs will also be providing only a single employee statement (with the Section 6056 information, and, with respect to employers with a self-funded group health plan, Section 6055 information).



### **New option for reporting enrollment information for non-employees**

The final instructions for Forms 1094-C and 1095-C include a new option for ALEs reporting information for non-employees (see examples below). This new option allows employers to report employer-sponsored self-funded health coverage for non-employees (and their family members) using either Forms 1094-B and 1095-B or Form 1095-C, Part III.

This option applies only for ALEs offering self-funded health coverage for any individual who enrolled in the coverage for one or more calendar months of the year, but was not an employee for any calendar month of the year, such as:

- a non-employee director;
- a retired employee who retired in a previous year;
- a terminated employee receiving COBRA coverage who terminated employment during a previous year; and
- a non-employee COBRA beneficiary.

A non-employee does *not* include an individual who obtained coverage through the employee's enrollment, such as a spouse or dependent obtaining coverage when an employee elects family coverage.

Under this new option, ALEs may report enrollment for these individuals using either:

- Forms 1094-B and 1095-B; or
- Form 1095-C, Part III.

If the Form 1095-C is used with respect to an individual who was not an employee for any month of the calendar year, Part II must also be completed by using Code 1G on Line 14 in the "All 12 Months" box (or the box for each month of the calendar year).

In the case of a non-employee who enrolls in the coverage under a self-funded health plan, all family members who are covered individuals due to the individual's enrollment must be included on the same Form 1095-B or Form 1095-C as the individual who is offered, and enrolls in, the coverage.

### **Changes to alternative methods of reporting under Section 6056**

The final instructions for Forms 1094-C and 1095-C also made several changes to the alternative methods of reporting under Section 6056. Two alternative methods of reporting are available under Section 6056: 1) the *Qualifying Offer Method* (and the Qualifying Offer Method Transition Relief for 2015); and 2) the *98 Percent Offer Method*.



### ***Qualifying Offer Method***

The Qualifying Offer Method (and the Qualifying Offer Method Transition Relief for 2015) allows eligible ALEs to provide simplified employee statements to certain employees, in lieu of a copy of the Form 1095-C. The final instructions added to the list of information that must be included in these simplified employee statements. A statement is now required that directs the employee to see [IRS Publication 974, Premium Tax Credit \(PTC\)](#), (currently in draft form) for more information on eligibility for the premium tax credit.

Also, the final instructions clarified that ALEs may not use the alternative method of furnishing Form 1095-C to employees under the Qualifying Offer Method (or the Qualifying Offer Method Transition Relief for 2015) for employees who enrolled in self-funded coverage. For these employees, the ALE must furnish the information reporting enrollment in the self-funded coverage on Form 1095-C, Part III. The ALE may provide this information to the employee by furnishing a copy of Form 1095-C as filed with the IRS (with or without the statements regarding any qualifying offer the employee received or the employee's premium tax credit eligibility).

### ***98 Percent Offer Method***

The 98 Percent Offer Method is generally available to ALEs that offer MEC that is affordable and provides minimum value to at least 98 percent of the employees on whom it reports in its Section 6056 return. The final instructions clarify that ALEs must also offer MEC to those employees' dependents to be eligible to use the 98 Percent Offer Method. For this purpose, the term "dependent" is defined to include an employee's child, but does not include a spouse.

### **Additional changes in the final instructions**

The final instructions also made the following changes and clarifications:

- The Employer Identification Number (EIN) *may* be truncated on any statements furnished to employees or individuals, but *not* on any forms filed with the IRS (previously, truncation of EINs was not allowed on any forms).
- When determining the total employee count for the ALE for purposes of Form 1094-C, Part III, Column (c), an ALE may now choose to use either the first or last day of the first payroll period that starts during each month, or the first or last day of each month.
- All ALEs, including U.S. ALEs, should include a country code with the employee's address in Part I of Form 1095-C.
- An offer of coverage is treated as having been made to an employee's dependents only if the offer of coverage is made to an unlimited number of dependents, regardless of the actual number of dependents (if any) an employee has during any particular calendar month.



- If spouses (or employee and dependent) are employed by the same ALE, and one employee enrolled in a coverage option that also covered the other employee(s) (for example, family coverage that provided coverage to the other employee spouse and their employee dependent child), the enrollment information should be reflected only on the Form 1095-C for the employee who enrolled in the coverage (but it would report the other employee family members as covered individuals).
- An ALE is not required to file a Form 1095-C for an individual who, for all months of a calendar year, is either not an employee of the ALE or is in a limited non-assessment period. A limited non-assessment period generally refers to a period during which ALE is not subject to an employer shared responsibility penalty for a full-time employee (e.g., initial waiting period), regardless of whether that employee is offered health coverage during that period. The regulations include a number of limited non-assessment periods which are defined in the final instructions. However, for the months in which the employee was an employee of the ALE, he or she would be included in the total employee count reported on Form 1094-C, Part III, Column (c). Also, if the employee enrolled in self-funded employer-sponsored coverage during the limited non-assessment period, the employer must file a Form 1095-C for the employee in order to report coverage information for the year.
- For purposes of reporting, an offer to a spouse includes an offer to a spouse that is subject to a reasonable, objective condition, regardless of whether the spouse meets the condition. For example, an offer to a spouse that is available only if the spouse certifies that he or she does not have access to health coverage from another employer is treated as an offer of coverage to the spouse for reporting purposes. (Note that this treatment is for reporting purposes only, and generally will not affect the spouse's eligibility for the premium tax credit if the spouse did not meet the condition and therefore did not have an actual offer of coverage.)

#### **“Authoritative Transmittal” for employers filing multiple forms 1094-C**

A Form 1094-C must be filed when an employer files one or more Forms 1095-C. An employer may choose to file multiple Forms 1094-C, each accompanied by Forms 1095-C for some of its employees, provided Forms 1095-C are filed for each employee for whom the employer is required to file.

In the case of an “Aggregated ALE Group,” each separate employer must file its own Authoritative Transmittal. Although an employer may file multiple Forms 1094-C, one “Authoritative Transmittal” Form 1094-C, identified on line 19, Part II, must be filed for each employer reporting aggregate employer-level data for all full-time employees of the employer. Specifically, one Authoritative Transmittal must be filed for each employer, even if multiple Forms 1094-C are filed by and on behalf of that single employer.

For example, if an employer intends to file a separate Form 1094-C for each of its two divisions to transmit Forms 1095-C for each division's full-time employees, one of the Forms 1094-C filed must be designated as the Authoritative Transmittal and report aggregate employer-level data for all full-time employees (for both divisions).



### **Filing due dates**

The forms and transmittal forms must be filed with the IRS on or before February 28 (March 31, if filed electronically) of the year following the calendar year of coverage. However, if the regular due date falls on a Saturday, Sunday or legal holiday, entities should file by the next business day. For calendar year 2015, these forms must be filed by February 29, 2016, (or March 31, 2016, if filing electronically).

### **Statements for individuals**

All entities reporting under Section 6055 or 6056 must furnish a copy of Form 1094-C or 1095-C, as applicable, to the person identified as the responsible individual named on the form. Statements must be furnished by mail, unless the recipient affirmatively consents to receive the statement electronically. The statement must be furnished on or before January 31 of the year following the calendar year of coverage. The first statements are due to individuals by February 1, 2016 (since January 31 falls on a Sunday).

### **How to file**

Any reporting entity that is required to file at least 250 returns under Section 6055 or 6056 must file electronically. The 250-or-more requirement applies separately to each type of return and separately to each type of corrected return.

Reporting entities that are filing on paper will send paper returns to the address provided in the instructions, based on where their principal business, office or agency (or legal residence, in the case of an individual) is located.

### **Recommended steps for employers**

Although the first reports are not required until 2016 (for 2015 information), employers should be planning now with payroll and systems administrators. For example, reporting systems may need to be implemented, or existing systems upgraded, to comply with the new rules. Additional coordination between HR, IT, payroll and outside vendors may be required for data collection and aggregation as well as systems testing. Lastly, employers should be aware that the final 2015 reporting forms and instructions may include some differences compared to the final 2014 materials.

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For further information on this or any other topics, please contact your EPIC benefits consulting team.

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