

	Overview:	Two Mandate	es
UNC NERODIC OF GOVE	ENMENT	Comply Care Ac	ing with the IRS's Affordable t Reporting Requirements

# **Overview: Two Mandates**

The Affordable Care Act imposes two kinds of new requirements:

- The Individual Mandate
- The Employer Mandate

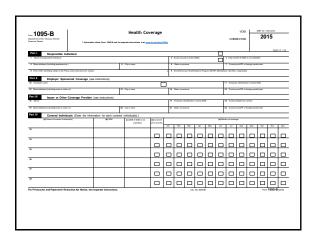
UNC SCHOOL OF GOVER

	Overview: Individual Mandate
	Individuals must
	1) secure "minimum essential coverage"
	or 2) make a shared responsibility payment with
	their tax return
	Complying with the IRS's Affordable Complying Complying with the IRS's Affordable Complying Comply
Ш	UNC Complying with the IRS's Affordable Care Act Reporting Requirements
	Overview: Employer Mandate
	Overview. Employer mandate
	Employers of 50* or more full-time equivalent employees must
	offer coverage that is affordable and provides
	"minimum value" to full time employees and dependents
	or
	2) face penalties
	UNC Complying with the IRS's Affordable Care Act Reporting Requirements
	Care Act Reporting Requirements
	Overview: IRS Wants to Know
	Is each individual getting coverage?
	Is each covered employer meeting its obligation to offer coverage?
	UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Ш	ESHOOL OF CONTRACTORY  Care Act Reporting Requirements

Overview: IRS and Individuals  IRS learns about whether individuals are getting coverage two ways	Overview:	IRS and Individuals
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Complying with the IRS's Affordable Care Act Reporting Requirements		

Overview: IRS	and Individuals
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coverage two ways	
1) It asks each ind	lividual on the Form 1040 when
individuals file th	heir taxes
2) It double checks and 1095 B	s that through Forms 1094 B
UNC SCHOOL OF GOVERNMENT	Complying with the IRS's Affordal Care Act Reporting Requirements
Overview: IRS	and Individuals
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file their taxes	at through Forms 1004 B and 1005 B
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• 1095 B is the sub	
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Service Constitution	ene i in reporting requirement
Overview: IRS	and Individuals
Here are the 1094	B and 1095 B forms:

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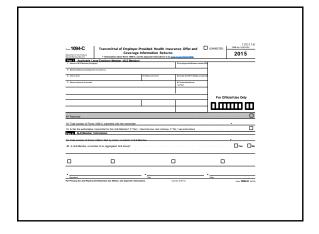


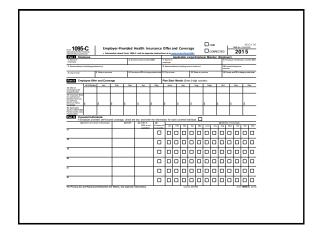
Overview: IRS and Individu	ıals
Who files the 1094 B and the 1095	B with the IRS?
UNC METHODS OF GOVERNMENT	Complying with the IRS's Affordable Care Act Reporting Requirements

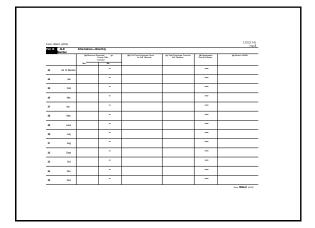
Who files the 1094 B and the 1095 B with the IRS?
mar are inter-
"Every person that provides minimum essential
coverage to an individual"
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: IRS and Individuals
Overview: IRS and individuals
Who files the 1094 B and the 1095 B with the IRS?
For employers who offer fully insured plans to their
employees, the insurance company files
For employers who offer self-funded plans to their
employees, the employer files (even if they would
not be required to file under the employer
mandate)
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
care rec reporting requirements
Overview: IRS and Employers
How does the IRS learn whether an employer is
meeting its obligations to offer coverage?
modaling its obligations to offer coverage:
UNC Complying with the IRS's Affordable Care Act Reporting Requirements

Overview: IRS and Employers
IRS learns whether an employer is meeting its
obligations to offer coverage to full time
employees through Forms 1094 C and 1095 C

# Overview: IRS and Employers Here are the 1094 C and 1095 C forms: Complying with the IRS's Affordable







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UNC Complying with the IRS's Affordable Care Act Reporting Requirements	
Overview: IRS and Employers	
Overview. Into and Employers	
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Every employer of 50 or more full time equivalent	
employees	
- 1 -7	
Complying with the IRS's Affordable	

Overview: IRS and Employers
Who files the 1094 C and the 1095 C with the IRS?
Every employer of 50 or more full time equivalent employees
That's right. Even if the penalties cannot apply to you for 2015 because you are under 100, you still have to file the
1094 C and the 1095 C
Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Telling Employees
Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Telling Employees
It's not just the IRS that gets the forms
Complying with the IRS's Affordable Care Act Reporting Requirements

Overview: Telling Employees
It's not just the IRS that gets the forms
Employees get forms, too
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Telling Employees
It's not just the IRS that gets the forms
Employees get forms, too
Whoever provides the 1094 B and 1095 B to the
IRS must provide the 1095 B to employees as
well as the IRS
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
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It's not just the IRS that gets the forms
Employees get forms, too
Whoever provides the 1094 B and 1095 B to the IRS must provide the 1095 B to employees as
well as the IRS
The employer must provide the 1095 C to
employees as well as to the IRS
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Overview: Reporting Options
UNC Complying with the IRS's Affordable
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Reporting Options
1000
Filing strategy
<ul> <li>All-in house: employer fills in forms and transmits directly to IRS</li> </ul>
<ul> <li>Partial outsource: employer fills in forms and uses third-party software to transmit forms to IRS</li> </ul>
Full outsource: third party fills in forms and
transmits to IRS
Complying with the IRS's Affordable
Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Size and Reporting
3
Under 50 FTE and offer no coverage:
no reporting requirement
• Under 50 FTE but offer coverage through an
insured plan: no reporting requirement (but the insurer will
report on Form 1094 B)
Under 50 FTE but offer a self-insured plan:
you must file, like a covered larger employer
Complying with the IRS's Affordable

# Overview: Size and Reporting • Between 50 and 100: because of "transitional relief," no possibility of penalty for 2015, but you must report anyway • Over 100: all reporting requirements apply • Over 250: special requirement of electronic reporting applies Overview: Special Rules for 2015 **Overview: Special Rules for 2015** Remember (this is obvious but sometimes confusing) we are talking about reporting requirements in 2016 for 2015 Complying with the IRS's Affordabl Care Act Reporting Requirements

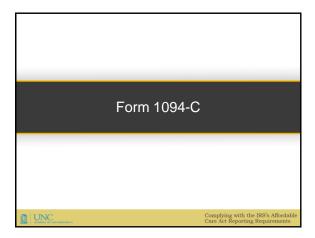
Overview: Special Rules for 2015
Special Rule #1
• For employers with 50-99 FTE employees, there
can be no penalty for failure to offer coverage
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Special Rules for 2015
Special Rule #1
• For employers with 50-99 FTE employees, there
can be no penalty for failure to offer coverage
But you still have to file with the IRS and furnish
statements to employees
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Special Rules for 2015
Overview. Openia realist for 2013
Special Rule #2
If you owe a penalty, it will be less that it
otherwise would be
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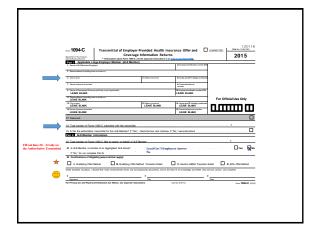
Overview: Special Rules for 2015
Special Rule #2
• If you owe a penalty, it will be less that it
otherwise would be
That's because the way of calculating the
penalty is special for 2015
Complying with the IRS's Affordable Care Act Reporting Requirements
- Annual Control of the Control of t
Overview: Special Rules for 2015
Special Rule #2
If you owe a penalty, it will be less that it otherwise
would be.
That's because the way of calculating the penalty
is special for 2015
The penalty will based on the number of your
actual employees minus 80; it future years it will
be <u>minus</u> 30
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
Overview: Special Rules for 2015
Special Rule #3
Delay of possibility of penalty for non-calendar
year plans

# **Overview: Special Rules for 2015** Special Rule #4 If you file your forms with the IRS for 2015 but you screw them up because they are so hard, you will not be imposed a filing penalty if you can show that you "have made good faith efforts to comply with the information reporting requirements" **Overview Over** Enough with the big picture Let's look at the reporting obligations in detail **But first . . . ACA Basics** • "Understanding the Affordable Care Act: What Employers Need to Know," presented on November 20, 2014 · Retitled by the web designers as "Affordable Care Act Webinar On-Demand" · Purchase or access: http://www.sog.unc.edu/courses/webinars/affordable -health-care-act-webinar-demand

The Forms	
Reporting Substantive Information: • Forms 1095-B and 1095-C	
Transmittal Cover Sheets Reporting Summary Information • Forms 1094-B and 1094-C	

Number of FTEs	Fully-Insured Plan	Self-Insured Plan
100 or more Subject to reporting & penalties	Form 1095-C, Parts I and II only for each employee who was a F/T employee for at least one month of the calendar year Insurer will file 1095-B	Form 1095-C, Parts I, II and III for any employee enrolled in coverage
50 – 100 Subject to reporting, but not to penalties for 2015	Form 1095-C, Parts I and II only for each employee who was a F/T employee for at least one month of the calendar year Insurer will file 1095-B	Form 1095-C, Parts I, II and III
Fewer than 50 Will never be subject to penalties but offers of coverage must be reported	Employer does not file Insurer will file <b>1095-B</b>	Employer files Form <b>1095-8</b>





# **Qualifying Offer:**

An offer of minimum essential coverage that provides minimum value and is affordable, made to a full-time employee for whom a no-coverage or inadequate coverage penalty could apply. The offer must include an offer of minimum essential coverage (MEC) to the employee's spouse and dependents.

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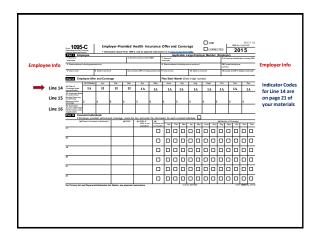
Complying with the IRS's Affordal Care Act Reporting Requirements

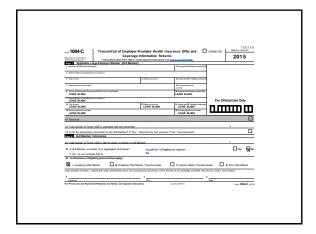
### **Qualifying Offer:**

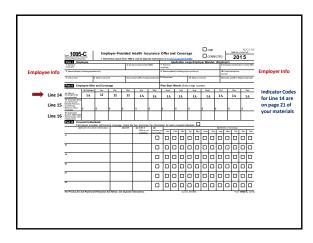
An offer of minimum essential coverage that provides minimum value and is affordable, made to a full-time employee for whom a no-coverage or inadequate coverage penalty could apply. The offer must include an offer of minimum essential coverage (MEC) to the employee's spouse and dependents.

### **Qualifying Offer Method of Reporting**

Employer must certify that it made a Qualifying Offer to one or more F/T employees for all the month that the employee was a F/T employee for whom a no-coverage or inadequate coverage penalty could apply.



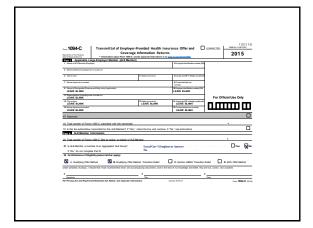


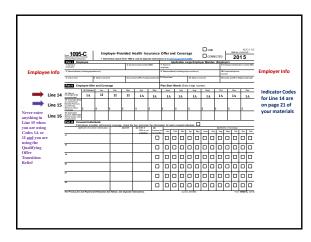


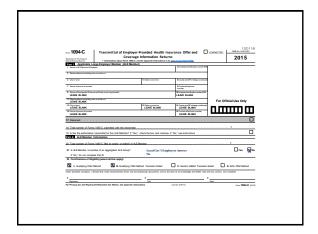
# **Qualifying Offer Method Transition Relief for 2015**

Employer must certify that it made a Qualifying Offer for one or more months of the calendar year to at least 95% of its full-time employees (not including employees in a LNP).

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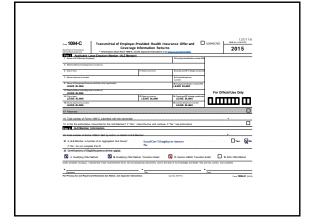




# **Section 4980H Transitional Relief**

- Employers with 50 99 employees (including FTEs)
- 2. Employers with 100 or more employees (including FTEs)

UNC



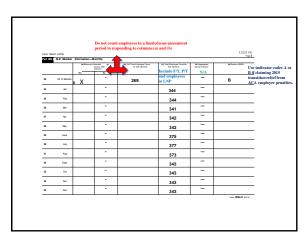
# 98% Offer Method

An employer who offers affordable, minimum value health insurance coverage to 98% of all of its employees (and their dependents for whom it is filing a Form 1095-C) is not required to report the number of its full-time employees for 2015 in Part III of Form 1094-C (the transmittal form).

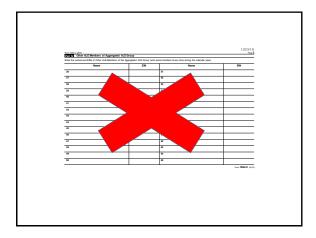
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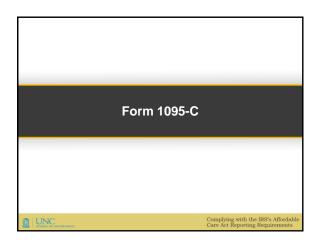
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70% of F/T employees and	23	All 12 Months	X	x	Employers certifying eligibility for 98%	Include F/T, P/T and employees	- NA	<b>←</b>	employers with 5 99 FTEs.
dependents?	24	Jan	х	-	Offer reporting do not have to fill out column	in LNP	-	<del></del>	Use indicator cod
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	34	Nov	х	x			-		
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		Ven-	Indicate No.		Include F/T, P/T	N/A		if claiming 201
23	All 12 Months		x x		and employees in LNP	-	Α	relief from AC penalties.
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29	June		×	68 (80)	93	-		
20	July		ž	68 (82)	95	- 1		
21	Aug		x	68 (80)	93	- 1		
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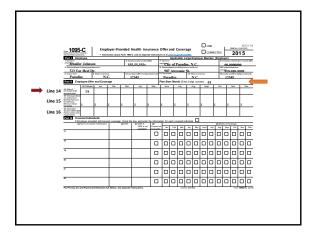


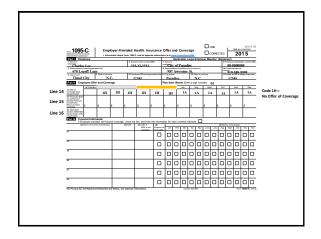


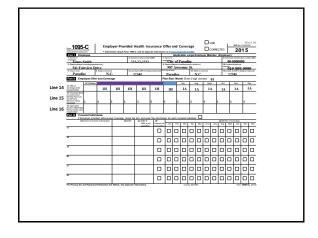
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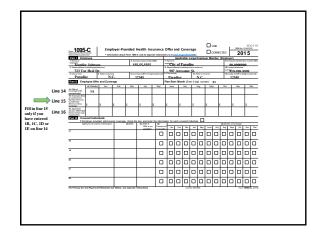
### Indicator Code Series 1 (see p. 21 of materials for full list)

- 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 9.5% mainland single federal poverty line (in other words, AFFORDABLE) and at least minimum essential coverage offered to spouse and dependent(s).
- **1F.** Minimum essential coverage NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents.
- 1G. Offer of coverage to employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.
- **1H.** No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee).
- 11. Qualifying Offer Transition Relief 2015: Employee (and spouse or dependents) received no offer of coverage; received an offer that is not a qualifying offer; or received a qualifying offer for less than 12 months.

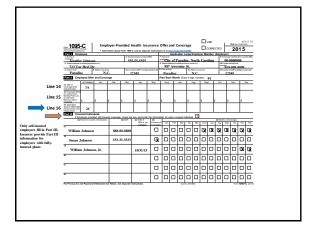








- 1B. Minimum essential coverage providing minimum value offered to employee only. [not affordable]
- 1C.Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse). [not affordable]
- 1D.Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to spouse (not dependent(s)). [not affordable]
- 1E. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. [not affordable]



### Safe Harbor Indicators - Code Series 2

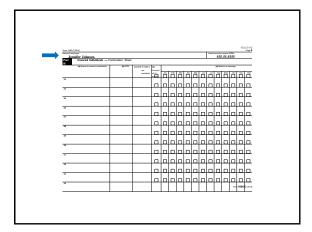


- 2C Use for any month in which an employee is enrolled in MEC (your health plan)
  - 2A Employee was not your employee on any day of that month
  - 2B Employee was not F/T and did not enroll in coverage, if offered
    - $\rightarrow$ Use also for F/T employee whose coverage ended during that month b/c employment during that month
    - →Use for Jan. 2015 if employee was offered MV, affordable coverage by the first day of the first payroll period of January.

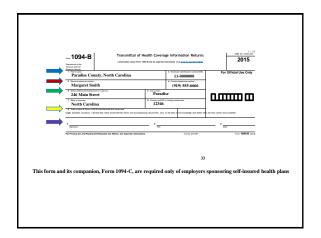
### Safe Harbor Indicators - Code Series 2 cont.

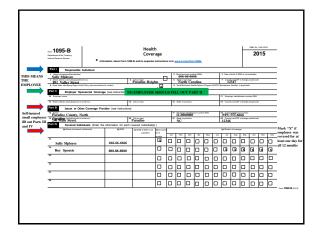
- 2D Employee was in limited non-assessment period
- 2F Use if the Form W-2 Safe Harbor used
- 2G Use if the Federal Poverty Line Safe Harbor used
- 2H Use if Rate of Pay Safe Harbor used
- 2I Noncalendar year transition relief





Where a <b>new part-time</b> , <b>seasonal or variable hour employee</b> is either not an employee or is in his or her	
initial measurement period (i.e., in a limited non- assessment period) for each month during the calendar	
year, then no Form 1095-C need be filed for the new hire	
for the year.	
UNC Complying with the IRS's Affordable Care Act Reporting Requirements	dable tts
Self-Insured Health Plans	
Issuers of health insurance must report information on	
persons covered by employer-sponsored insurance on Form 1094-B (transmittal sheet) and Form 1095-B (issued to each employee)	
Covered employers (ALEs) with self-insured plans may use     Part III of Form 1095-C to satisfy this requirement.	
→ This includes members of the NCLM Municipal Insurance Trust	
Small employers who are not covered by the ACA employer mandate but who offer health coverage through a self-	
insured plan must fill out Form 1094-B and 1095-B.  → This includes members of the NCLM Municipal Insurance Trust	
Complying with the IRS's Affordable Care Act Reporting Requirements	table
Forms 1094-B and 1095-B	
UNC Complying with the IRS's Affordable Care Act Reporting Requirements	table





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	Three Kinds of Transitional Reli Non-Calendar Year Plans	ef in 2015 for
	1. Pre-2015 Transitional Relief	
	Significant Percentage Transition	on Relief
	(All Employees)	, , , , , , , , , , , , , , , , , , ,
	<ol> <li>Significant Percentage Transition (Full-Time Employees)</li> </ol>	on Relief
	( ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' '	
	LINIC	Complying with the IRS's Affordab
Ш	UNC	Care Act Reporting Requirements

# Three Requirements That Apply to All Three Kinds of Non-Calendar Year Plan Transitional Relief

- 1. Plan must have been in existence with same starting date as of 12/27/12
- 2. Plan must be offering affordable, minimum value coverage as of the first day of the 2015 plan year
- 3. Plan's eligibility requirements must be the same as they were on 2/9/14
  - In other words, employer cannot have made eligibility more restrictive after that date

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Complying with the IRS's Affordable Care Act Reporting Requirements

### **Pre-2015 Eligibility Transition Relief**

Employer may treat employee (+ \( \Delta s \)) as having been offered coverage for January – June of 2015 if the employee was

- Offered affordable, minimum value coverage no later than July 1, 2015;
- Under the same eligibility requirements as existed on Feb. 9, 2014;
- Was previously offered coverage (eligible to participate in the plan as of 12/27/12 if an employee or later, if hired later).

Employer will  ${f not}$  be assessed a no-coverage or an inadequate coverage penalty for any such employee.

Employer could be assessed a penalty for a full-time employee who was not offered coverage from Jan. – June 2015.

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Complying with the IRS's Affordab Care Act Reporting Requirements

# Significant Percentage Transition Relief (All Employees)

Employer may treat employee (+  $\Delta s$ ) as having been offered coverage for January – June of 2015 if the employee was

- Offered affordable, minimum value coverage no later than July 1, 2015;
- Under the same eligibility requirements as existed on Feb. 9, 2014;
- AND EITHER
- At least 25% of all employees were enrolled in health coverage as of any date in the 12 months before Feb. 9, 2014; OR
- b. At least 33% of **all** employees were offered coverage during the most recent open enrollment period that ended before Feb. 9, 2014.

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Significant Percentage	<b>Transition</b>	Relie
(All Employees)		

If employer meets all four criteria, it **will not be liable** for a no-coverage or inadequate coverage penalty for any employee for Jan. – June 2015, regardless of whether that employee was offered coverage before the 2015 plan year.

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# Significant Percentage Transition Relief (Full-Time Employees)

Employer may treat employee (+  $\Delta s$ ) as having been offered coverage for January – June of 2015 if the employee was

- Offered affordable, minimum value coverage no later than July 1, 2015;
- Under the same eligibility requirements as existed on Feb. 9, 2014;
- · AND EITHER
- At least 25% of full-time employees were enrolled in health coverage as of any date in the 12 months before Feb. 9, 2014; OR
- At least 33% of full-time employees were offered coverage during the most recent open enrollment period that ended before Feb. 9, 2014.

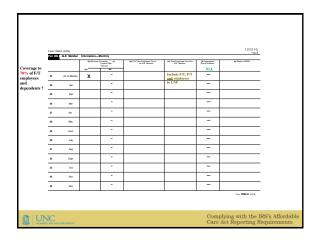
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# Significant Percentage Transition Relief (Full-Time Employees)

If employer meets all four criteria, it will not be liable for a no-coverage or inadequate coverage penalty for any employee for Jan. – June 2015, regardless of whether that employee was offered coverage before the 2015 plan year.

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# Two Provisos on Non-Calendar Year Plan Transitional Relief

- Employers must still accurately report the terms of coverage offered (or not offered) on individual From 1095-C.
- An employer who does not meet the requirement to offer coverage to at least 70% of its full-time employees (and Δs) cannot make use of Non-Calendar Year Plan Transitional Relief.

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Complying with the IRS's Affordab Care Act Reporting Requirements

# Special Topics Complying with the IRS's Affordable Care Act Reporting Requirements

COBRA
How to report an with a COBRA offer?
Depends on how the employee became COBRA eligible.
Employment ended
Hours reduced
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
COBRA—Employment Ended
Employment ends, COBRA is offered.
Whether the employee takes the COBRA coverage or not, the code on Line 14 is 1H and on Line 16 is 2A.
Translation: "No coverage offered" (even though
COBRA coverage was) and "employee not a full time employee."
UNC Complying with the IRS's Affordable Care Act Reporting Requirements
COBRA—Hours Reduced
COBRA—Hours Reduced
Hours are reduced, COBRA is offered.
Whether the employee takes the COBRA coverage or not, the code on Line 14 is 1E and Line 16 depends on
whether the employee accepts coverage.
Translation: "Coverage offered" and the appropriate employee status.
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# Health Reimbursement Arrangements (HRAs)

- Providers of minimum essential coverage (MEC) must file Forms 1094-B and 1095-B so that the IRS can enforce the individual mandate.
- · HRAs are considered MEC.
- Integrated HRAs do <u>not</u> have to be separately reported.

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# Health Reimbursement Arrangements (HRAs) Reporting Rule #1

- If an individual is covered by more than one plan providing MEC and both plans are offered by the same provider, the provider need only file information on one of the types of coverage.
  - Self-insured employers offering an HRA do not have to report the HRA. They will simply report the group health plan coverage on Form 1094-C and 1095-C if a covered employer (ALE) and on Form 1094-B and 1095-B if a small employer.

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Complying with the IRS's Affordab Care Act Reporting Requirements

# Health Reimbursement Arrangements (HRAs) Reporting Rule #1 cont.

- Reporting is done month by month and individual by individual.
- If an individual employee enrolled in both an employer's self-insured group health plan and the employer's HRA ceases to be covered by the group health plan, the employer must then report the HRA.

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# Health Reimbursement Arrangements (HRAs): Reporting Rule #2

- When an individual 's eligibility to participate in a HRA depends on his or her enrollment in the employer's group health plan, no additional reporting of the HRA is required.
  - →This rule exempts full-insured employers from having to report HRA coverage.

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# Health Reimbursement Arrangements (HRAs): Reporting Rule #2 cont.

- Employers will have to report HRA coverage of employees who are enrolled in a health plan that is not sponsored by the same employer – an employee enrolled in a spouse's health plan, for example. The HRA must reported by the employer on Forms 1094-B and 1095-B.
- Reporting is done month by month and individual by individual.

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Complying with the IRS's Affordat Care Act Reporting Requirements

### **Health Savings Accounts (HSAs)**

- HSAs usually offered in conjunction with HDHP
- · HSAs are not considered MEC
- Purpose of Form 1094-B and 1095-B reporting is to report MEC for the purposes of showing individual mandate compliance
- Therefore . . . HSAs do not have to be reported

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A covered employer must report, on the 1095 forms, about coverage offers to current, full-time employees.

But what about coverage offered to retirees?

When must that be reported?



Complying with the IRS's Affordable Care Act Reporting Requirements

# **Reporting about Retirees**

### Basic rule:

• If the retiree coverage offered is supplemental to Medicare (that is, the retiree is 65+), then the coverage need not be reported.

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Complying with the IRS's Affordab Care Act Reporting Requirements

# **Reporting about Retirees**

### Basic rule:

- If the retiree coverage offered is supplemental to Medicare (that is, the retiree is 65+), then the coverage need not be reported.
- The retiree is getting "minimum essential coverage" through Medicare, which will report it, so no need for the employer to report for the individual mandate, and not an employee for the employer mandate.

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But what about a retiree under 65 who is on an employer's plan?

That is, the coverage is not supplemental to Medicare, but is the main coverage?

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Complying with the IRS's Affordable Care Act Reporting Requirements

# Reporting about Retirees

- If the employer is self-insured, the employer must report on the B forms as the provider of minimum essential coverage.
- If the employer's plan is fully insured, the insurance provider will report the coverage on the B forms and the employer reports the coverage on the C forms, using the code for a "non-employee."

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# Some Important Facts about Filing: Employee Statements

- Form 1095-C must be sent to employees by January 31st of the following year.
- Forms may be sent to employees electronically if they consent. Otherwise, they should be sent by mail or handdelivered.
- The first report will have to be sent to employees by February 1, 2016 for the year 2015.

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Some	<b>Important</b>	Facts a	bout	Filing
IRS Re				

- Forms must be filed with the IRS on or before February 28 of the following year (March 31 if filed electronically). Remember, Form 1095-C must be given to both each employee participating in the employer's group health plan and the IRS.
- Form 1094-C is the transmittal summary form that goes to the IRS along with the copies of each Form 1095-C.
- Employers who must file 250 or more of a form will be required to file electronically.
- Extensions of the time in which to file may be requested for Forms 1094 and 1095 as for any other return.

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### **Penalties for Failure to File**

- \$250 per day for each Form 1094 and 1095 statement that is *missing, late or incomplete*.
- Total annual maximum penalty limit is \$3 million.
- Same penalties as for failure to file or late filing of income tax informational returns to the IRS and the issuance of Forms W-2 and 1099 to employees and independent contractors.

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Complying with the IRS's Affordal Care Act Reporting Requirements

### **Evaluation:**

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