

ACA Reporting: Forms 1094-C and 1095-C

Overview

Beginning with calendar year (CY) 2015, an applicable large employer (ALE or “large employer,” as referenced in this summary) must use Forms 1094-C and 1095-C to report the information required under Internal Revenue Code (Code) section 6056. This includes information on whether the large employer offered (or did not offer) a full-time employee health insurance coverage during the calendar year.

In addition, beginning with calendar year (CY) 2015, a large employer with a self-insured group health plan must use Form 1095-C to report information to the IRS and employees about individuals who have minimum essential coverage (“MEC”)¹ provided through an employer-sponsored health plan.

Note. Large employers with an insured health plan are not responsible for reporting MEC; this is a carrier obligation. The carrier will issue any covered individual (and their covered family members) a Form 1095-B to reflect MEC.

Briefly:

- **Form 1094-C** reports summary information about the large employer and is used to transmit all Forms 1095-C to the IRS.
- **Form 1095-C** is used to report information about each FTE (and in the case of a self-insured plan, each covered employee or primary insured).

These forms are used by the IRS to determine whether:

- a large employer owes a (shared responsibility) penalty payment under the employer mandate,
- an employee is eligible for subsidies to purchase health insurance coverage in the Marketplace, and
- an individual has MEC in order to avoid potential tax penalties under the individual mandate.

As the following chart illustrates, an ALE must complete, distribute, and file these forms in the calendar year immediately following the year to which the reporting relates. The first required filing is due in early 2016 for CY 2015.

Update: On December 28, 2015, the IRS issued Notice 2016-04,² extending the initial timeframe to provide Forms 1095-C to individuals and Forms 1095-C and 1094-C to the IRS for CY 2015.

For CY 2015 Forms only, the new deadlines are as follows:

- 2015 Forms 1095-C must be furnished to individuals by **March 31, 2016** (rather than February 1, 2016).
- 2015 Forms 1095-C and Form 1094-C must be furnished to the IRS by:
 - **May 31, 2016** (rather than February 29, 2016) if not filing electronically; and
 - **June 30, 2016** (rather than March 31, 2016) if filing electronically.

¹ *Minimum essential coverage* (MEC) is the technical term for most types of health insurance coverage under the ACA. It includes, but is not limited to, employer sponsored group health plan coverage, Medicare, Medicaid, and individual health insurance coverage. MEC does not include excepted benefits (e.g., most dental and vision plans, health FSAs, on-site clinics and some EAPs). For this purpose, it means eligible employer-sponsored group health plan.

² For the Notice, visit: <https://www.irs.gov/pub/irs-drop/n-16-04.pdf>

For CY 2016 and thereafter, the deadlines are as follows:

Type of Plan	What to complete?	When?
Large employer with an insured health plan	All applicable parts of Form 1094-C Parts I and II of Form 1095-C ³	A Form 1095-C must be furnished to each FTE by Jan. 31 for prior CY Form 1094-C and all Forms 1095-C must be furnished to the IRS by Feb. 28 for prior CY (unless filing electronically, then Mar. 31)
Large employer with a self-insured health plan	All applicable parts of Form 1094-C All parts of Form 1095-C	A Form 1095-C must be furnished to each FTE and each covered employee/individual by Jan. 31 for prior CY Form 1094-C and all Forms 1095-C must be furnished to the IRS by Feb. 28 for prior CY (unless filing electronically, then Mar. 31)

Final forms and instructions for 2015 are available here:

- Instructions: <http://www.irs.gov/pub/irs-pdf/i109495c.pdf>
- Form 1094-C: <http://www.irs.gov/pub/irs-pdf/f1094c.pdf>
- Form 1095-C: <http://www.irs.gov/pub/irs-pdf/f1095c.pdf>

This guide is intended to provide you with a comprehensive overview of these reporting requirements as it pertains to a large employer. This guide will:

- outline the various pieces of information and data needed during the CY to complete year-end reporting;
- provide a step-by-step guide to completing the Forms; and
- identify additional requirements for a large employer with self-insured health plan coverage.

Some rules to follow when using this guide:

- Regardless of an employer's plan year, reporting is done based on the CY (January–December). Notably, non-CY plans and other changes that occur mid-year will need to be reflected for the applicable month(s). This may include changes in affordability, plan changes from insured to self-insured (or vice versa) or mid-year enrollment changes in a self-insured health plan.
- Much of this data is reported for each month of the calendar year, with some opportunities to report on a 12-month basis. Prepare to track data and pull reports for each month of the CY.

The information contained in this guide is general in nature and is subject to change as guidance develops. The information contained herein is not intended to be construed as legal advice or opinion and does not take into account any particular facts and circumstances of a specific situation. Advice of counsel or tax professionals is recommended.

³ The health insurance carrier will be responsible for providing information to the IRS and covered employees regarding MEC (using Form 1095-B).

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BACKGROUND

Beginning in 2015, large employers may be subject to an assessable payment (referred to as a “penalty”) if any FTE receives a premium tax-credit or cost-sharing subsidy (collectively a “subsidy” or “subsidies”) to purchase health insurance through the Marketplace. There are two possible penalties (“A” and “B”). The penalty that may apply will depend on the particular circumstances of the employer.

For this purpose, an FTE means an employee with at least 30 hours of service per week or 130 hours of service per month as determined under the applicable measurement method (look-back or monthly).

Only applicable large employers must complete the Forms 1094-C and 1095-C. Generally, this means an employer that had 50 or more FTEs (including full-time equivalent employees) on business days in the preceding calendar year. Large employer status is determined on an annual basis and requires aggregating all employees within a controlled group⁴. For 2015 only, medium-sized employers (50-99 FTEs) may qualify for relief from the employer mandate, subject to certain rules⁵. However, employers that qualify for this relief must complete the reporting requirements for CY 2015. In fact, filing the Form 1094-C certifies eligibility for this relief.

“A” Penalty	“B” Penalty
<p>This penalty applies when an ALE does not offer at least 95% of FTEs and their dependent children a group health plan (i.e., MEC) and at least one FTE receives a subsidy in the Marketplace to purchase qualified health plan coverage.</p> <p>The “A” penalty, as adjusted, is:</p> <ul style="list-style-type: none"> ▪ For CY 2015: \$2,080 annual (\$173.33/month) ▪ For CY 2016: \$2,160 annual (\$180/month) <p>Calculated for 2015: \$2,080 × (# FTEs – 80)</p> <p>Calculated for 2016: \$2,160 × (#FTEs – 30)</p>	<p>This penalty applies when an ALE offers at least 95% of FTEs and their dependent children a group health plan (i.e., MEC) but the coverage is not <i>affordable</i>⁶, does not provide <i>minimum value</i>⁷, or excludes 5% or fewer FTEs and one (or more) of those FTEs receive a subsidy in the Marketplace.</p> <p>The penalty is the lesser of:</p> <ul style="list-style-type: none"> ▪ For CY 2015: \$3,120 annual (\$260/month) × each FTE who receives a subsidy in the Marketplace to purchase health insurance coverage; or ▪ the “A” penalty. <p>For 2016, use \$3,240 (\$270/month)</p>
<p>For 2015 only, an ALE may use 70% (as opposed to 95%) and 80 (as opposed to 30) to determine liability under the “A” penalty. However, this relief is not available if the employer changed a non-CY plan after February 9, 2014 to begin at a later date. Employers eligible for transition relief may use 30% (as opposed to 5%) to determine “B” penalty exposure in 2015.</p> <p><i>Penalties are assessed monthly, but paid annually.</i></p>	

⁴ For purposes of determining whether an employer is a large employer, all persons treated as a single employer under Code §414(b), (c), (m), or (o) are considered to be employed by a single employer. Consult with counsel or tax advisors on questions of common ownership or controlled group participation.

⁵ Medium Sized Employer Relief. Certain medium sized employers may delay the application of the employer mandate until the first plan year that begins in 2016 (e.g., January 1, 2016 for a calendar year plan). This relief is available only if the employer did not modify the plan year after February 9, 2014 to begin on a later calendar date and if the employer satisfies all of the following conditions:

- a. **Limited Workforce Size** The employer employs on average at least 50 but fewer than 100 FTEs (including full-time equivalent employees) on business days during 2014.
- b. **Maintenance of Workforce and Aggregate Hours of Service.** Between February 9, 2014 and ending on December 31, 2014, the employer does not reduce the size of its workforce or employees’ hours of service to satisfy the workforce size condition.
- c. **Maintenance of Previously Offered Health Coverage** The employer does not eliminate or materially reduce the health coverage, if any, it offered as of February 9, 2014.
- d. **Certifies eligibility for relief on Form 1094-C.**

⁶ Coverage is affordable if the cost for self-only coverage does not exceed 9.56% (2015) of household income for the lowest cost minimum value plan. The regulations provide three safe harbors (W-2, FPL and rate of pay) that may be used to determine affordability.

⁷ *Minimum value* (MV) means a plan that covers at least 60% of the total allowed cost of benefits that are expected to be incurred by the plan. Guidance provides four ways to satisfy this threshold (MV calculator, safe harbor plan designs, actuarial certification and any metal coverage purchased in a Marketplace).

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WHAT INFORMATION TO COLLECT

The following chart highlights information to track for purposes of the reporting requirement.

Basic Information (Forms 1094-C and 1095-C)
<input type="checkbox"/> Name, EIN, address, contact person and phone number for the employer
<input type="checkbox"/> If part of a controlled group, name and EIN of other employer members
<input type="checkbox"/> If health plan coverage is offered, funding status during the CY (insured or self-insured)
<input type="checkbox"/> CY reported (e.g., 2015)
<input type="checkbox"/> Name, address, tax identification number (usually the social security number (SSN)) of all FTEs (and if self-insured of all covered employees/individuals)
<input type="checkbox"/> Plan year (month and day)
Employer Information Reported on a Monthly Basis
<input type="checkbox"/> Was MEC offered to at least 95% of FTEs and children to age 26 for each month of CY?
<input type="checkbox"/> Total number of FTEs for each month of the CY
<input type="checkbox"/> Total number of all employees (this includes all FTEs and non FTEs, and employees in a limited non-assessment period ⁸) for each month of the CY
<input type="checkbox"/> 2015 transition relief eligibility: medium sized employer relief or 70%/80 relief
FTE Information Reported on a Monthly Basis
<input type="checkbox"/> Each FTE for the CY – this means any employee who is considered full-time for at least one month during the CY <i>FTE means an employee with at least 30 hours of service per week or 130 hours of service per month as determined under the applicable measurement method</i>
<input type="checkbox"/> The health plan coverage, if any, offered to the FTE (and any family members) each month of the CY (e.g., self only, self+ family, no coverage offered)
<input type="checkbox"/> The self-only premium an employee must pay for the lowest-cost plan that provides minimum value
<input type="checkbox"/> The reason why an employer would not be subject to a penalty for a particular month (e.g., employee in waiting period, employee in initial measurement period, affordability safe harbor applies)
<input type="checkbox"/> The months for which the employer relied on non-CY relief with respect to the FTE
If Self-Insured, Covered Employee/Individual Information Reported on a Monthly Basis
<input type="checkbox"/> Names, SSN (or tax identification number of non-employees), and months of coverage for any covered employee/individual (e.g., retiree or COBRA qualified beneficiary) and family members during the CY

⁸ A limited non-assessment period includes: an Initial Measurement Period and associated Initial Administrative Period, the first calendar month of employment if the employee is not hired on the first day of the month, the period following change in status from to FT during IMP, and/or the waiting period.

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Form 1094-C

OVERVIEW

Form 1094-C is the summary form used to transmit all Forms 1095-C to the IRS. It provides specific employer-level data.

HOW TO COMPLETE FORM 1094-C

Part I

Form 1094-C Department of the Treasury Internal Revenue Service		Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns ► Information about Form 1094-C and its separate instructions is at www.irs.gov/form1094c		<input type="checkbox"/> CORRECTED	2011b OMB No. 1545-2251 2015
Part I Applicable Large Employer Member (ALE Member)					
1 Name of ALE Member (Employer)		2 Employer identification number (EIN)			
3 Street address (including room or suite no.)					
4 City or town		5 State or province		6 Country and ZIP or foreign postal code	
7 Name of person to contact				8 Contact telephone number	
9 Name of Designated Government Entity (only if applicable)				10 Employer identification number (EIN)	
11 Street address (including room or suite no.)					
12 City or town		13 State or province		14 Country and ZIP or foreign postal code	
15 Name of person to contact				16 Contact telephone number	
17 Reserved <input type="checkbox"/>					
18 Total number of Forms 1095-C submitted with this transmittal <input type="text"/>					
19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions <input type="checkbox"/>					

Lines 1-7. Complete the name of the large employer, the employer's tax identification number (EIN), address, and the name and phone number of a contact person responsible for answering any questions.

Lines 9-16. Complete these lines only if a Designated Governmental Entity (DGE) filing on behalf of an employer. Otherwise skip these lines. Non-governmental employers will always skip Lines 9-16. For more information refer to the instructions.

What's a DGE? DGE is a person or persons that are part of or related to the Governmental Unit⁹ that is the ALE Member and that is appropriately designated for purposes of these reporting requirements. In the case of a Governmental Unit that has delegated some or all of its reporting responsibilities to a DGE with respect to some or all of its employees, one Authoritative Transmittal must still be filed for that Governmental Unit reporting aggregate employer-level data for all employees of the Governmental Unit (including those for whom the Governmental Unit has delegated its reporting responsibilities). Note, special rules apply if there is self-insured health plan coverage and the employer delegates responsibilities to the DGE. Review the Instructions.

⁹ A Governmental Unit is the government of the United States, any state or political subdivision thereof, or any Indian tribal government (as defined in section 7701(a)(40)) or subdivision of an Indian tribal government (as defined in section 7871(d)). For purposes of these instructions, references to a Governmental Unit include an Agency or Instrumentality of a Governmental Unit. Until guidance is issued that defines the term Agency or Instrumentality of a Governmental Unit for purposes of section 6056, an entity may determine whether it is an Agency or Instrumentality of a Governmental Unit based on a reasonable and good faith interpretation of existing rules relating to agency or instrumentality determinations for other federal tax purposes.

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Line 17. Reserved for future use, do not complete.

Line 18. Enter the total number of Forms 1095-C that are submitted with this Form 1094-C. For example, if the employer generates 200 Forms 1095-C, 200 will go in Line 18.

Line 19. Is this the authoritative transmittal for this ALE member? Mark this box if the Form 1094-C serves as the Authoritative Transmittal that reports aggregate employer-level data for the employer. If the employer is only filing one Form 1094-C (most will), then check this box in Line 19.

However, if multiple Forms 1094-C are being filed for the employer so that Forms 1095-C for all FTEs of the employer are not attached to a single Form 1094-C transmittal (because some of the Forms 1095-C are being transmitted separately), one of the Forms 1094-C associated with the employer must be designated as the Authoritative Transmittal and report aggregate data.

When might an employer have multiple Forms 1094-C? A single employer may have two divisions (e.g., Washington and California) and, instead of using a single 1094-C to transmit all of the Forms 1095-C to the IRS, may decide to file separate Forms 1094-C for each of its two divisions to transmit the Forms 1095-C for their respective FTEs. In this case, one of the Forms 1094-C must be designated as the Authoritative Transmittal and report aggregate employer data for both divisions in Parts II, III and IV, as applicable.¹⁰

Note, in the case of a controlled group (an aggregated ALE), each entity in the controlled group (each ALE member) must file its own authoritative transmittal. The various employers under common control may not submit one Authoritative Transmittal.

These rules also apply to DGE.¹¹

If Line 19 is checked, complete the rest of Part II (Lines 20-22 and signature) and Parts III and IV, as applicable. If Line 19 is not checked, sign the Form, but do not complete Lines 20-22 or Parts III and IV.

USI Note: *Most employers will check Line 19 as the Authoritative Transmittal.*

¹⁰ Likely, most employers will not have multiple Forms 1094-C. However, the following consider the following example for illustrative purposes:

ABC company is a single employer (not part of controlled group). It has two divisions, Washington and California. The Washington division has 200 Forms 1095-C and the California division has 100 Forms 1095-C. Each division will submit its own 1094-C and applicable Forms 1095-C. The Washington division acts as the authoritative transmittal for the employer. Therefore:

- The 1094-C for the California division will reflect 100 as the number of Forms 1095-C submitted with this transmittal (Line 18). California will not check Line 19 and will not complete Lines 20-22 or Part III or IV (if applicable).
- The 1094-C for Washington will reflect 200 as the number of Forms 1095-C submitted with this transmittal (Line 18). Washington will check Line 19 on Form 1094-C and complete Lines 20-22. Line 20 will reflect 300, the total number of Forms filed on behalf of the employer (the two divisions combined). Washington will sign the 1094-C and complete Parts III and Part IV (if applicable).

¹¹ **Example.** County is an ALE made up of ALE Members School District, Police District, and County General Office. School District designates the state to report on behalf of the teachers and reports for itself for its remaining FTEs. In this case, either the School District or the state must file an Authoritative Transmittal reporting aggregate employer-level data for all FTEs of the School District.

Part II

Part II ALE Member Information

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member

21 Is ALE Member a member of an Aggregated ALE Group? Yes No
If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

A. Qualifying Offer Method B. Qualifying Offer Method Transition Relief C. Section 4980H Transition Relief D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 61571A Form **1094-C** (2015)

Line 20. Enter the total number of Forms 1095-C that will be filed by, or on behalf of, the employer. This includes all Forms 1095-C filed with respect to this transmittal, including any individuals covered by a self-insured health plan. This number should match the number reflected in Line 18, unless the employer is required to aggregate employer data as the Authoritative Transmittal for multiple Forms 1094-C.¹²

Line 21. If, during any month of the CY the employer was a member of a controlled group (also referred to as an Aggregated ALE Group) check the box in Line 21. You will also need to complete Part III, column (d) and Part IV to list the other members of the controlled group. If the employer was not a member of a controlled group during the calendar year, do not check this box and do not complete Part III, column (d) and Part IV. See *Appendix B for further discussion*.

Line 22. If the employer meets the eligibility requirements and is using one of the Offer Methods, the employer must check either box "A", "B", or "D". See *Appendix A for further discussion*. If the employer qualifies for and uses the medium-sized employer transition relief or the 70%/80 transition relief, the employer must check box "C" on Line 22 and complete Part III column (e).

¹² In that case line 20 will also reflect any Forms 1095-C that were filed with a separate transmittal filed by, or on behalf of, the employer.

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Part III – Do not complete any of Part III if the 1094-C is not the authoritative transmittal

Form 1094-C (2015)

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		(a) Minimum Essential Coverage Offer Indicator		(b) Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No				
23	All 12 Months	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
24	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25	Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
30	July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
31	Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
32	Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
33	Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
34	Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
35	Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Form 1094-C (2015)

Column (a). If an employer offers MEC to at least 95% of FTEs and their children to age 26 for the entire CY, mark the “Yes” box in Line 23. If such coverage was not offered for the entire CY, mark “No” on Line 23 to reflect all 12 months.

If an offer of coverage to at least 95% of FTEs and their children was made for some, but not all, months of the CY mark either “Yes” or “No” in the appropriate check box for each month (Lines 24-35).

2015 70%/80 Relief. If eligible for the 70%/80 transition relief, mark “Yes” in column (a) for each applicable month (or for the entire CY). Use code “B” in column (e).

Employees in a limited non-assessment period. For purposes of determining the 95% threshold (or 70% threshold for 2015), do not count employees in a limited non-assessment period.

4980H Transition Relief for Dependent Coverage. An employer may check “Yes” in column (a) if taking advantage of limited relief available when an offer of coverage to children was not made. For the 2014 and 2015 plan years, for an employee who was not offered dependent health coverage during the 2013 or 2014 plan years, an employer may treat, solely for purposes of section 4980H, an offer of health coverage to an FTE but not his or her dependents, as an offer of health coverage to the FTE and his or her dependents, if the employer takes steps during the 2014 or 2015 plan year (or both) to extend coverage under the plan to dependents not offered

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coverage during the 2013 or 2014 plan year (or both). An employer using this transition relief for a calendar year is not eligible to report using the Qualifying Offer Method (or the Qualifying Offer Transition Relief Method) for that CY (see *appendix*).

Column (b). Enter the number of FTEs for each month. The final 2015 Form allows for an entry in the “All 12 Months” field, but provides no further direction. Do not count any employee who is in a limited non-assessment period.

Note: Limited non-assessment periods. A limited non-assessment period generally means a period during which the large employer is not subject to the “A”, and in some cases the “B”, penalty for an FTE regardless of whether the employee is offered health coverage during that period. The following five periods are limited non-assessment periods only if the employee is offered health coverage by the first day of the first month following the end of the period, and are non-assessment periods with respect to the “B” penalty only if the health coverage that is offered provides minimum value.

First year as a large employer period. January through March of the first calendar year in which an employer is an ALE, but only for an employee who was not offered health coverage by the employer at any point during the prior calendar year.

Waiting period under the monthly measurement method. If an employer is using the monthly measurement method to determine whether an employee is a full-time employee, the period beginning with the first full calendar month in which the employee is first otherwise (but for completion of the waiting period) eligible for an offer of health coverage and ending no later than two full calendar months after the end of that first calendar month.

Waiting period under the look-back measurement method. If an employer is using the look-back measurement method to determine whether an employee is a full-time employee and the employee is reasonably expected to be a full-time employee at his or her start date, the period beginning on the employee’s start date and ending not later than the end of the employee’s third full calendar month of employment.

Initial measurement period and associated administrative period under the look-back measurement method. If an employer is using the look-back measurement method to determine whether a new employee is a full-time employee, and the employee is a variable hour employee, seasonal employee or part-time employee, the initial measurement period for that employee and the administrative period immediately following the end of that initial measurement period.

Period following change in status that occurs during initial measurement period under the look-back measurement method. If an employer is using the look-back measurement method to determine whether a new employee is a full-time employee, and, as of the employee’s start date, the employee is a variable hour employee, seasonal employee or part-time employee, but, during the initial measurement period, the employee has a change in employment status such that, if the employee had begun employment in the new position or status, the employee would have reasonably been expected to be a full-time employee, the period beginning on the date of the employee’s change in employment status and ending not later than the end of the third full calendar month following the change in employment status. If the employee is a full-time employee based on the initial measurement period and the associated stability period starts sooner than the end of the third full calendar month following the change in employment status, this Limited Non-Assessment Period ends on the day before the first day of that associated stability period.

First calendar month of employment. If the employee's first day of employment is a day other than the first day of the calendar month, then the employee's first calendar month of employment is a Limited Non-Assessment Period.

Column (c). Enter the total number of employees, including FTEs, non-FTEs and employees in a limited non-assessment period for each calendar month. An employer may choose one of the following days to determine this count per month and must use the same day for all months of the year:

- The first day of each month,
- The last day of each month,
- The 12th day of each month,
- The first day of the first payroll period that starts during each month, or
- The last day of the first payroll period that starts during each month provided that for each month that last day falls within the calendar month in which the payroll period starts.

While unlikely, if the total number of employees was the same for every month of the entire CY, enter that number in column (c), Line 23. Otherwise reflect the count for each month in column (c), Lines 24-35.

Column (d). If the employer is part of a controlled group (Line 21, Part II should be checked), then reflect each month the employer was a member of the controlled group in column (d). If part of a controlled group for all 12 months of the calendar year, use the box in Line 23. The employer will also need to complete Part IV. If the employer is not a part of a controlled group, leave column (d) blank.

Column (e). If the employer marked Line 22, box "C", the employer must certify eligibility for the medium sized employer relief by entering code "A" in column (e). If the employer is eligible for the 70%/80, then use code "B" in column (e).

Do not complete any of Part III if the 1094-C is not the authoritative transmittal.

Part IV – Do not complete any of Part IV if the 1094-C is not the authoritative transmittal

Form 1094-C (2015)

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Part IV Other ALE Members of Aggregated ALE Group

Enter the names and EINs of Other ALE Members of the Aggregated ALE Group (who were members at any time during the calendar year).

Name	EIN	Name	EIN
36		51	
37		52	
38		53	
39		54	
40		55	
41		56	
42		57	
43		58	
44		59	
45		60	
46		61	
47		62	
48		63	
49		64	
50		65	

Form 1094-C (2015)

Lines 36-65. If part of a controlled group (aggregated ALE) list the name and EIN of other employers in the controlled group (aggregated ALE).

Do not complete Part IV if the employer is not part of a controlled group (aggregated ALE).

Do not complete any of Part IV if the 1094-C is not the authoritative transmittal.

See Appendix B for more information.

Form 1095-C

OVERVIEW

All ALEs must complete one Form 1095-C for each FTE. This means that each FTE who was an FTE for at least one month of the calendar year must receive a Form 1095-C with respect to the calendar year. Form 1095-C is used to report information about each FTE for purposes of the employer mandate. It is also used to determine an employee's eligibility for a premium tax credit in the Marketplace.

Employers that offer self-insured health plan coverage will also use Form 1095-C to report information regarding MEC to the IRS and to individuals with coverage under the employer-sponsored self-insured plan. This demonstrates that an covered individual is not liable for an individual penalty under the individual mandate for the months the individual (and/or a spouse and dependants) has coverage through the self-insured health plan.

As described earlier, Forms 1095-C are transmitted to the IRS by the employer using Form 1094-C. In addition, the employer must provide a copy to each FTE and any covered employee/individual in a self-insured health plan. Alternative employee statements, instead of issuing the Form 1095-C to the employee, are permitted, subject to specific rules described in the appendix. Generally, most employers will furnish the Form 1095-C as opposed to an alternative statement.

HOW TO COMPLETE FORM 1095-C

Part I

Form 1095-C Department of the Treasury Internal Revenue Service		Employer-Provided Health Insurance Offer and Coverage ▶ Information about Form 1095-C and its separate instructions is at www.irs.gov/form1095c		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED	OMB No. 1545-2251 2015
Part I Employee			Applicable Large Employer Member (Employer)		
1 Name of employee		2 Social security number (SSN)	7 Name of employer		8 Employer identification number (EIN)
3 Street address (including apartment no.)			9 Street address (including room or suite no.)		10 Contact telephone number
4 City or town	5 State or province	6 Country and ZIP or foreign postal code	11 City or town	12 State or province	13 Country and ZIP or foreign postal code

Lines 1-6. Enter the name of the employee, the employee's social security number (SSN), and complete address.

Lines 7-13. Enter the employer's name, EIN, address, a contact person's phone number (who to call about the information reported on the form). This information should be the same as what is reported in Part I of Form 1094-C.

Part II

Part II Employee Offer and Coverage							Plan Start Month (Enter 2-digit number):						
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer or Coverage (enter required code)													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

NOTE: The 2015 Form 1095-C includes a section where the plan year is reflected. Per the IRS notes, this field is optional for CY 2015 and will be required for CY 2016.

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Line 14. Offer of Coverage. This line reflects the employer’s offer of coverage, if any, for each month of the CY through the use of the Series 1 Codes. If the same Code applies for all 12 months, enter the applicable Code in the “All 12 Months” section. A Series 1 Code must be entered for each month of the CY (January – December), even if the employee was not an FTE for one or more calendar months. Enter the Code identifying the type of health coverage actually offered by the employer to the employee, if any. A list of codes follows.

Series 1 Codes – Line 14 (Offer of Coverage) and Line 15 (Affordability)		
1A	Qualifying Offer. MEC providing minimum value (MV) offered to FTE with employee contribution for self-only coverage equal to or less than 9.5% mainland single federal poverty line (\$93.18 for 2015) and at least MEC offered to spouse and dependent(s).	<ul style="list-style-type: none"> ▪ This code may be used to report for specific months for which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the CY. ▪ Leave Line 15 blank. ▪ Check Box “A” in Line 22 of Form 1094-C if using 1A.
1B	MEC providing MV offered to employee only.	<ul style="list-style-type: none"> ▪ Enter the amount of the lowest cost, self-only coverage in Line 15.
1C	MEC providing MV offered to employee and at least MEC offered to dependent(s) (not spouse).	<ul style="list-style-type: none"> ▪ Enter the amount of the lowest cost, self-only coverage in Line 15.
1D	MEC providing MV offered to employee and at least MEC offered to spouse (not dependent(s)).	<ul style="list-style-type: none"> ▪ Enter the amount of the lowest cost, self-only coverage in Line 15.
1E	MEC providing MV offered to employee and at least MEC offered to dependent(s) and spouse.	<ul style="list-style-type: none"> ▪ This is likely a commonly used Code. ▪ Enter the amount of the lowest cost, self-only coverage in Line 15.
1F	MEC NOT providing MV offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.	<ul style="list-style-type: none"> ▪ Use this code when no MV plan is offered (e.g., employer only offers a skinny MEC plan). ▪ Leave Line 15 blank.
1G	Offer of coverage to employee who was not an FTE for any month of the calendar year and who enrolled in self-insured coverage for one or more months of the calendar year.	<ul style="list-style-type: none"> ▪ Applicable for part time employees enrolled in self-insured plans. ▪ Use this Code to report covered employees who are NOT full-time and/or non-employees offered coverage under the self-insured plan (e.g., retiree, COBRA qualified beneficiary) ▪ DO NOT use this Code if the individual was an FTE for at least 1 month during the calendar year. ▪ Leave Line 15 blank
1H	No offer of coverage (employee not offered any health coverage or employee offered coverage that is not MEC).	<ul style="list-style-type: none"> ▪ Employers that do not offer health insurance coverage or offer coverage that is not MEC (e.g., only a dental plan). ▪ Leave Line 15 blank.
1I	Qualifying Offer Transition Relief 2015. Employee (and spouse or dependents) received either: (1) no offer of coverage, (2) an offer that is not a qualifying offer, or (3) a qualifying offer for less than 12 months.	<ul style="list-style-type: none"> ▪ See Appendix. ▪ Leave Line 15 blank.

NOTE: For CY 2106 and thereafter, there will be two additional codes that will reflect whether the employer’s offer of coverage to a spouse was a conditional offer. At this time, it is not clear what is meant by a conditional offer.

Line 15. Affordability. Line 15 must be completed if Codes 1B, 1C, 1D or 1E are used in Line 14. Otherwise, leave blank. Enter the amount of the employee’s share of the lowest cost premium for self-only, minimum value coverage. If no employee contribution is required for the lowest cost MV plan (i.e., it

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is 100% employer paid), enter “0.00”. If the employee’s share is the same for all 12 months of the CY, use the “all 12 Months” box. The amount reflected in Line 15 may not necessarily be the amount the employee is actually paying for coverage.

For example, the employer offers two health plans. The employee’s share of the lowest cost premium for self-only, minimum value coverage is \$100/month. This FTE elects a benefit option that is \$200/month. For this FTE, the amount reflected in Line 15 is \$100, even though the FTE is paying \$200/month for coverage.

Use the compliant rate for tobacco-related incentives. Use the non-compliant rate for other wellness incentives.

Line 16. Safe Harbor. The Series 2 Codes are used to report one or more months during the calendar year where the employer may not be subject to a penalty under the employer mandate either due to the employee’s actual enrollment in MEC or certain relief. For each FTE (and any covered employee/individual in a self-insured plan), the employer will need to identify any Series 2 Code that may be applicable. In some cases multiple Series 2 Codes may be applicable, and an ordering rule applies (illustrated below). If no Series 2 Codes apply for a month, leave the box blank.

Series 2 Codes – Line 16 if applicable		
2A	Employee not employed during the month. Enter code 2A if the employee was not employed on any day of the calendar month.	<ul style="list-style-type: none"> Do not use code 2A for a month if the individual was an employee of the employer on any day of the calendar month. Do not use code 2A for the month during which an employee terminates employment with the employer.
2B	Employee not an FTE. Enter code 2B if the employee is not an FTE for the month AND did not enroll in MEC, if offered for the month. ¹³	<ul style="list-style-type: none"> Also use this code for January 2015 if the employee was offered health coverage no later than the first day of the first payroll period that begins in January 2015 and the coverage offered was affordable and provided minimum value.
2C	Employee enrolled in coverage offered. Enter code 2C for any month in which the employee enrolled in health coverage offered by the employer for each day of the month, regardless of whether any other code in Code Series 2 might also apply.	<ul style="list-style-type: none"> Code 2C trumps any other Series 2 Code that may be relevant (except 2E). If 1G is used in line 14, do not use this Code.
2D	Employee in a limited non-assessment period. Enter code 2D for any month during which an employee is in a Limited Non-Assessment Period. This includes an Initial Measurement Period (IMP) and associated Initial Administrative Period, the first calendar month of employment if the employee is not hired on the first day of the month, the period following change in status from non-FTE to FTE during an IMP and/or the waiting period.	<ul style="list-style-type: none"> Do not use 2B (not an FTE).
2E	Multiemployer interim rule relief. Enter code 2E for any month for which the multiemployer interim guidance applies for that employee.	<ul style="list-style-type: none"> 2E trumps all other 2 Codes, including 2C.

¹³ Use code 2B if the employee is an FTE for the month and whose offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month (so that the offer of coverage or coverage would have continued if the employee had not terminated employment during the month).

2F	Form W-2 safe harbor. Enter code 2F if the employer used the Form W-2 safe harbor to determine affordability for this employee for the year.	<ul style="list-style-type: none"> Do not use if employee enrolled in the coverage offered (2C) 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. Do not use if 2E can be used (multiemployer relief)
2G	FPL Safe Harbor. Enter code 2G if the employer used the FPL safe harbor to determine affordability for this employee for any month of the CY.	<ul style="list-style-type: none"> Do not use if employee enrolled in the coverage offered (2C) Do not use if 2E can be used (multiemployer relief)
2H	Rate of pay safe harbor. Enter code 2H if the employer used the rate of pay safe harbor to determine affordability for this employee for any month of the CY.	<ul style="list-style-type: none"> Do not use if employee enrolled in the coverage offered (2C) Do not use if 2E can be used (multiemployer relief)
2I	Non-calendar year transition relief applies to this employee.	<ul style="list-style-type: none"> Applies only for non-calendar year plans that qualify for this relief. Applies only with respect to the months during the CY prior to the start of the plan year (e.g., June 1 plan year, 2I may be used to report relief for January – May).

Employer offers affordable (under the rate of pay safe harbor) MV coverage to an FTE, spouse and children. The FTE declines the coverage. What codes are used?

The employer will use 1E in Line 14, enter the cost of self-only coverage in Line 15 and then use Code 2H in Line 16. Using Code 2H tells the IRS that the employer should not face a penalty with respect to this individual as the coverage that was offered to him was affordable under the rate of pay safe harbor.

Part III – Self-Insured Health Plans Only

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				<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"/>	<input type="checkbox"/>
18				<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"/>	<input type="checkbox"/>
19				<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"/>	<input type="checkbox"/>
20				<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"/>	<input type="checkbox"/>
21				<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"/>	<input type="checkbox"/>
22				<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"/>	<input type="checkbox"/>

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 60705M Form 1095-C (2015)

Complete Part III ONLY if the employer offers a self-insured group health plan in which the employee or other individual is enrolled. If the employer completes Part III it must indicate self-insured coverage by checking the box at the top of the section. Employers sponsoring an insured arrangement will leave this section blank as the carrier is responsible.

This part must be completed by an employer offering self-insured health plan coverage for any individual who was an employee for one (or more) calendar months of the year and who enrolled in the coverage regardless of full-time status. In addition, if non-employees are covered by the self-insured plan, an employer may use Form 1095-C (as opposed to Forms 1094-B and 1095-B) to report MEC for these individuals. This may include certain retirees or COBRA qualified beneficiaries or non-employee members

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of the board of directors who have coverage under the self-insured health plan.¹⁴ Note, the employer must still complete Parts I and II with respect to these individuals. Use Code 1G in Line 14 to reflect the offer of coverage for a non-employee or a part-time employee who was not an FTE for any month of the calendar year.

Lines 17-22. Complete the name and social security number of each covered individual (e.g., employee, spouse and children). For individuals other than the employee listed in Part I, a tax identification number may be provided. If SSN is not available, a date of birth (DOB) may be used if a reasonable effort to collect the SSN is made.¹⁵ Check the applicable boxes to reflect the months the individuals are enrolled in the self-insured health plan during the CY.

Filing and Distributing the Forms

FORM 1094-C

Forms 1094-C and all Forms 1095-C are filed with the IRS by February 28 if filing on paper (or March 31 if filing electronically) of the year following the calendar year to which the return relates. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

For CY 2015 only, these Forms are **due to the IRS by May 31, 2016, or June 30, 2016 if filing electronically.**¹⁶

Form 1094-C and Form 1095-C are subject to the requirements to file returns electronically. Filers of 250 or more information returns must file the returns electronically. The 250-or-more requirement applies separately to each type of return and separately to each type of corrected return.

FORM 1095-C

The requirement to furnish Form 1095-C to an employee is satisfied if the form is properly addressed and mailed on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

Generally, Forms 1095-C are due to employees by January 31 of the year following the calendar year to which the return relates.

For CY 2015 only, the 1095-C is **due to employees by March 31, 2016.**¹⁷

Unless an alternative furnishing method is available (*see Appendix A*), the employer will provide a copy of the Form 1095-C to each FTE (i.e., an FTE for at least one month during the calendar year). In addition, if

¹⁴ If self-insured coverage is offered to these non-employees, there are additional compliance considerations that should be reviewed, including potential MEWA and tax implications of offering coverage to non-employee board of director members, potential for uncovered claims if not appropriately contracted for in the stop loss agreement, assurance that the plan terms permit such coverage and potential for 105(h) discrimination violations in the event that such coverage is extended only to former highly compensated employees.

¹⁵ To demonstrate a reasonable effort, the employer must satisfy the following steps:

- Initial solicitation at the time the relationship with the covered individual(s) is established (e.g., upon hire or initial enrollment);
- If unsuccessful, an annual solicitation must be made by Dec. 31 of the same year;
- If still unsuccessful, a second solicitation is required by Dec. 31 of the following year;
- If still unsuccessful, no penalties applied if a DOB is used in lieu of a SSN.

Use of a truncated SSN is permitted for Forms 1095-C that are provided to covered individuals. However, truncated SSNs are not permitted on Forms 1095-C submitted to the IRS.

¹⁶ Per IRS Notice 2016-04 (<https://www.irs.gov/pub/irs-drop/n-16-04.pdf>), for CY 2015 only, these deadlines have been extended.

¹⁷ Per IRS Notice 2016-04 (<https://www.irs.gov/pub/irs-drop/n-16-04.pdf>), for CY 2015 only, this deadline has been extended.

the health plan is self-insured, the employer must provide a copy to each individual who had coverage for at least one month during the calendar year.

Statements must be furnished on paper by mail, unless the recipient affirmatively consents to receive the statement in an electronic format. If mailed, the statement must be sent to the employee's last known permanent address, or if no permanent address is known, to the employee's temporary address.

Consent to furnish statement electronically. An employer is required to obtain affirmative consent to furnish a statement electronically. This requirement ensures that statements are furnished electronically only to individuals who are able to access them. An individual may consent on paper or electronically, such as by email. If consent is on paper, the individual must confirm the consent electronically. A statement may be furnished electronically by email or by informing the individual how to access the statement on the employer's website. Consent to receive a Form W-2 electronically does not transfer to Form 1095-C delivery. A separate consent identifying the Form 1095-C is needed.

PENALTIES FOR NONCOMPLIANCE WITH THESE INFORMATION REPORTING REQUIREMENTS

Generally, if Forms 1094-C and/or Forms 1095-C are incorrect and incomplete, a penalty may apply if not corrected by the due date and the employer cannot show reasonable cause. The penalties are the same as under the rules for Forms W-2. Briefly, the amount of penalties can range from \$50/form with a \$500,000 maximum penalty/year to \$250/form with a maximum penalty of \$3M/year (these are referred to as the 6721 and 6722 penalties).

Limited Relief for CY 2015

- The IRS will not impose penalties on large employers that can show that they have made good faith efforts to comply with the information reporting requirements. Specifically, relief is provided from penalties described above for returns and statements filed and furnished in 2016 to report offers of coverage in 2015 for incorrect or incomplete information reported on the return or statement. However, no relief is provided if the large employer cannot show a good faith effort to comply with the information reporting requirements or fail to timely file an information return or furnish a statement.¹⁸
- However, consistent with existing information reporting rules, ALE members that fail to timely meet the requirements still may be eligible for penalty relief if the IRS determines that the standards for reasonable cause under section 6724 are satisfied.

CY 2016 and Thereafter

The penalty under section 6721 may apply to an ALE member that fails to file timely information returns, fails to include all the required information, or includes incorrect information on the return. The penalty under section 6722 may apply to an ALE member that fails to furnish timely the statement, fails to include all the required information, or includes incorrect information on the statement. The waiver of penalty and special rules under section 6724 and the applicable regulations, including abatement of information return penalties for reasonable cause, may apply to certain failures under section 6721 or 6722. Discuss penalties with tax advisors.

¹⁸ In addition, large employers that fail to timely meet the requirements still may be eligible for penalty relief if the IRS determines that the standards for reasonable cause.

ADDITIONAL INFORMATION

AIR Program for Electronic Filing

The Affordable Care Act Information Returns (AIR) Program establishes how entities will electronically file Forms 1094-C and 1095-C for CY 2015. These Forms are due to the IRS by June 30, 2016 for the 2015 CY. The AIR system should be ready to accept filings beginning January 2016.

The IRS has issued information relevant to entities intending to file Forms 1094-C and 1095-C with the IRS electronically, including:

- an employer that intends to directly file Forms 1094-C and 1095-C with the IRS, and
- any third party (e.g., a payroll vendor) that will send the information directly to the IRS on behalf of an employer.

Any employer that will transmit 250 or more of the same type of information return to the IRS must file these forms electronically. Employers that transmit fewer than 250 returns may file electronically.

An employer that intends to directly file the Forms 1094-C and 1095-C with the IRS will need to carefully review the information provided by the IRS to understand the technical requirements of the electronic filing program. The guidance and process for electronic submission is highly technical and will likely require involvement of your IT and payroll departments. Among other things, prior to filing the Forms with the IRS electronically, filing entities must make an application online to receive an ACA Information Return Transmitter Control Code (TCC), which will be sent via mail.

Given the complexity, employers may want to consider hiring a third party to assist in this process. USI can provide information on vendors in the marketplace.

For specific information on the AIR Program, including how to apply for the TCC, visit https://www.irs.gov/PUP/for_taxpros/software_developers/information_returns/aca_app_tutorial_online.pdf

For full technical details on the AIR Program, visit http://www.irs.gov/PUP/for_taxpros/software_developers/information_returns/AIR_Composition_and_Reference_Guide.pdf.

Third party assistance

Reporting arrangements between a large employer and carriers or other parties (e.g., TPA, payroll provider) are not prohibited. However, entering into a reporting arrangement does not transfer a large employer's potential liability under section 4980H and does not transfer the potential liability for failure of the employer to file returns and furnish statements under section 6056. If a person who prepares returns or statements required under section 6056 is a tax return preparer, that person will be subject to the requirements generally applicable to tax return preparers.

Employers under Common Control (multiple ALE members)

Each large employer under a controlled group is responsible for reporting under section 6056. Generally, each large employer must file separate section 6056 returns providing that employer's EIN. If more than one third party is facilitating reporting for an large employer in the controlled group, there must be only one Authoritative Transmittal (noted on Form 1094-C) reporting aggregate employer-level data for all FTEs of that large employer. Additionally, there must be only one section Form 1095-C for each FTE with respect to employment with that ALE member. *See Appendix B.*

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Health Reimbursement Arrangements (HRA)

Generally, when a health reimbursement arrangement (HRA) is integrated with a group health plan, reporting is not required with respect to the HRA. However, employers with retiree-only HRAs may have a reporting requirement when the retiree is not enrolled in the group health plan. In this case, the employer is required to provide reporting of the HRA as minimum essential coverage via Form 1095-B. A participant with available funds from an HRA for any month is not eligible for a premium tax credit for that month, as he is deemed to be enrolled in minimum essential coverage.

Appendix A

Form 1094-C Part II, Line 22 (A), (B) and (D)

22 Certifications of Eligibility (select all that apply):

A. Qualifying Offer Method B. Qualifying Offer Method Transition Relief C. Section 4980H Transition Relief D. 98% Offer Method

The guidance provides three methods that will slightly reduce these reporting requirements and, in some cases, provide an alternative to furnishing the Form 1095-C to the employee. These options DO NOT eliminate the employer's responsibility to complete and file Forms 1094-C and 1095-C with the IRS.

QUALIFYING OFFER METHOD – BOX A

An employer may use this method when a qualifying offer is made to one or more FTEs for all months during the CY (January – December). An offer is considered a qualifying offer if:

- The offer is made for all 12 months of the CY,
- The employee contribution for self-only coverage that meets MV does not exceed \$93.77/month, and
- There is an offer of MEC to a spouse and dependents, if applicable.

The furnishing method described below only applies to FTEs who received the qualifying offer for all 12 months of the CY.

What relief does this method actually provide?

- Do not report the self-only employee premium cost for the lowest cost MV plan on Line 15 of 1095-C. Instead use Code 1A in Line 14 of 1095-C.
- Instead of providing participants the 1095-C, an employer may furnish a “qualifying offer statement” that includes:
 - Employer name, address, EIN,
 - A contact name, and phone number at which the employee may receive more information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employees.
 - A statement indicating that, for all 12 months of the CY, the employee and his/her spouse, and dependents, if any, received a qualifying offer and therefore are not eligible for premium tax credit.
 - A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information on eligibility for the premium tax credit.

Important note for employers with self-insured health plans. If the employer sponsors a self-insured plan, the alternative “qualifying offer statement” described above CANNOT be used for any employee who is covered by the self-insured health plan. These employees must receive a Form 1095-C.

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QUALIFYING OFFER METHOD TRANSITION RELIEF – BOX B

Qualifying Offer Method Transition Relief is available for CY 2015 only. To use this method, an employer must certify that a qualifying offer of coverage (as described above) was made to at least 95% of FTEs.

What relief does this method actually provide?

- Do not report the self-only employee premium cost for the lowest cost MV plan on Line 15 of 1095-C. Instead, in Line 14 of Form 1095-C, use Code 1A for any months for which the employee received a qualifying offer or 1I for any month for which the employee did not receive the qualifying offer.
- Provide each FTE who received the qualifying offer for all 12 months of the CY with either a copy of their 1095-C, or the “qualifying offer statement” previously described.
- Solely for 2015, for any employee of an employer eligible for the Qualifying Offer Method Transition Relief who does not receive a qualifying offer for all 12 calendar months, including employees who receive no offer, the employer may, in lieu of providing the employee with a copy of Form 1095-C, furnish a statement containing the following information.
 - Employer name, address, EIN,
 - A contact name and phone number at which the employee may receive more information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employee.
 - A statement indicating that the employee, his or her spouse and dependents, if any, may be eligible for a premium tax credit for one or more months of 2015.
 - A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information on eligibility for the premium tax credit.

Important note for employers with self-insured health plans. If the employer sponsors a self-insured plan, the alternative “qualifying offer statement” described above CANNOT be used for any employee who is covered by the self-insured health plan. These employees must receive a Form 1095-C.

98% METHOD – BOX D

To use this method, an employer must certify that it offered, for all months of the CY, affordable coverage providing minimum value to at least 98% of its employees for whom it is filing a 1095-C and offered MEC to those employees’ dependents. The employer is not required to identify which of the employees for whom it is filing were FTEs, but the employer is still required to file Forms 1095-C on behalf of all of its FTEs (and any employees/individuals covered by a self-insured plan). Health coverage is deemed affordable if the employer meets one of the available safe harbors (W-2, FPL, rate of pay).

What relief does this method actually provide?

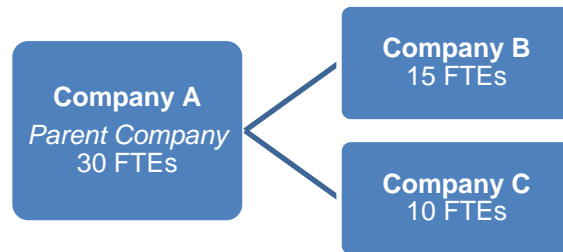
- No need to complete the FTE count on 1094-C, Part III, column (b).

Appendix B

Aggregated ALE and Form 1094-C

EXAMPLE

Company A is the parent¹⁹ of Company B and Company C. Together the combined group (A, B, and C) has 55 full-time employees (FTEs)²⁰ and is an Aggregated Applicable Large Employer (ALE) group. An Aggregated ALE is determined under the controlled group rules (Internal Revenue Code section 414(b), (c), (m) and (o)).



The employer mandate²¹ and the annual reporting requirements (Forms 1094-C and 1095-C) apply to this Aggregated ALE group and each ALE member as follows:

1. Each separate employer (Company A, Company B, and Company C) in an Aggregated ALE group is subject to the employer shared responsibility provisions as collectively they employ at least 50 FTEs in the preceding calendar year.
2. Each separate employer is subject to the associated information reporting requirements (Forms 1094-C and 1095-C) and must file its own Form 1094-C Authoritative Transmittal, using its own EIN.
3. Company A should not file one Authoritative Transmittal reporting information about Companies A, B, and C combined. Instead, each entity must file as an Authoritative Transmittal with respect to each company's FTEs, as illustrated below:
 - **Company A** completes its Form 1094-C as the Authoritative Transmittal as follows:
 - o Part I: Include Company A's identifying information and check the box in Line 19 indicating this is the Authoritative Transmittal.
 - o Part II: Report information about Company A as an employer. In Line 21 – "is the ALE member a member of an Aggregated ALE Group" - check the "Yes" box.

¹⁹ A parent-subsidiary controlled group exists when one or more chains of corporations are connected through stock ownership with a common parent corporation; and

- at least 80% of the stock of each corporation, (except the common parent) is owned by one or more corporations in the group; and
- the parent corporation must own 80 % of at least one other corporation.

The same rules apply to trades or businesses under common control except use ownership interest as opposed to stock ownership to determine status.

²⁰ FTE means an employee with at least 30 hours of service a week or 130 hours of service in a month, as determined under the applicable measurement method (monthly or look back).

²¹ In this specific example, this ALE may be eligible for transitional relief that delays any penalty application until the first plan year that begins on or after January 1, 2016. An analysis of whether this relief is available is outside the scope of this summary. Regardless of eligibility for the relief, these employers will need to complete, file and distribute the Forms 1094-C and 1095-C for calendar year 2015 even though actual penalty assessments may not apply during the year.

- Part III. In column (d), check the months of the calendar year in which Company A is a member of an Aggregated ALE group.
 - Part IV. Enter the names and EINs of the other members of the Aggregated ALE group (here, Company B and Company C).
 - **Company B** completes its Form 1094-C as the Authoritative Transmittal as follows:
 - Part I: Include Company B's identifying information and check the box in Line 19 indicating this is the Authoritative Transmittal.
 - Part II: Report information about Company B as an employer. In Line 21 – “is the ALE member a member of an Aggregated ALE Group” - check the “Yes” box.
 - Part III. In column (d), check the months of the calendar year in which Company B is a member of an Aggregated ALE group.
 - Part IV. Enter the names and EINs of the other members (here, Company A and Company C).
 - **Company C** completes its Form 1094-C as the Authoritative Transmittal as follows:
 - Part I: Include Company C identifying information and check the box in Line 19 indicating this is the Authoritative Transmittal.
 - Part II: Report information about Company C as an employer. In Line 21 – “is the ALE member a member of an Aggregated ALE Group” - check the “Yes” box.
 - Part III. In column (d), check the months of the calendar year in which Company C is a member of an Aggregated ALE group.
 - Part IV. Enter the names and EINs of the other members (here, Company A and Company B).
4. Each FTE must receive a Form 1095-C for work for employment with his or her respective employer. For example, an FTE of Company C receives a 1095-C from Company C (and not Company A or B). If an FTE of Company C is also an FTE of Company A, the FTE receives two Forms 1095-C (one from Company C and one from Company A). There is no combined reporting for Aggregated ALE Groups.

For more information, visit

[http://www.irs.gov/PUP/for_taxpros/software_developers/information_returns/September AIR Webinar Presentation_9_26_2015_posting.pdf](http://www.irs.gov/PUP/for_taxpros/software_developers/information_returns/September_AIR_Webinar_Presentation_9_26_2015_posting.pdf)