



ACA Reporting and Filing: What You Need to Know for 2016

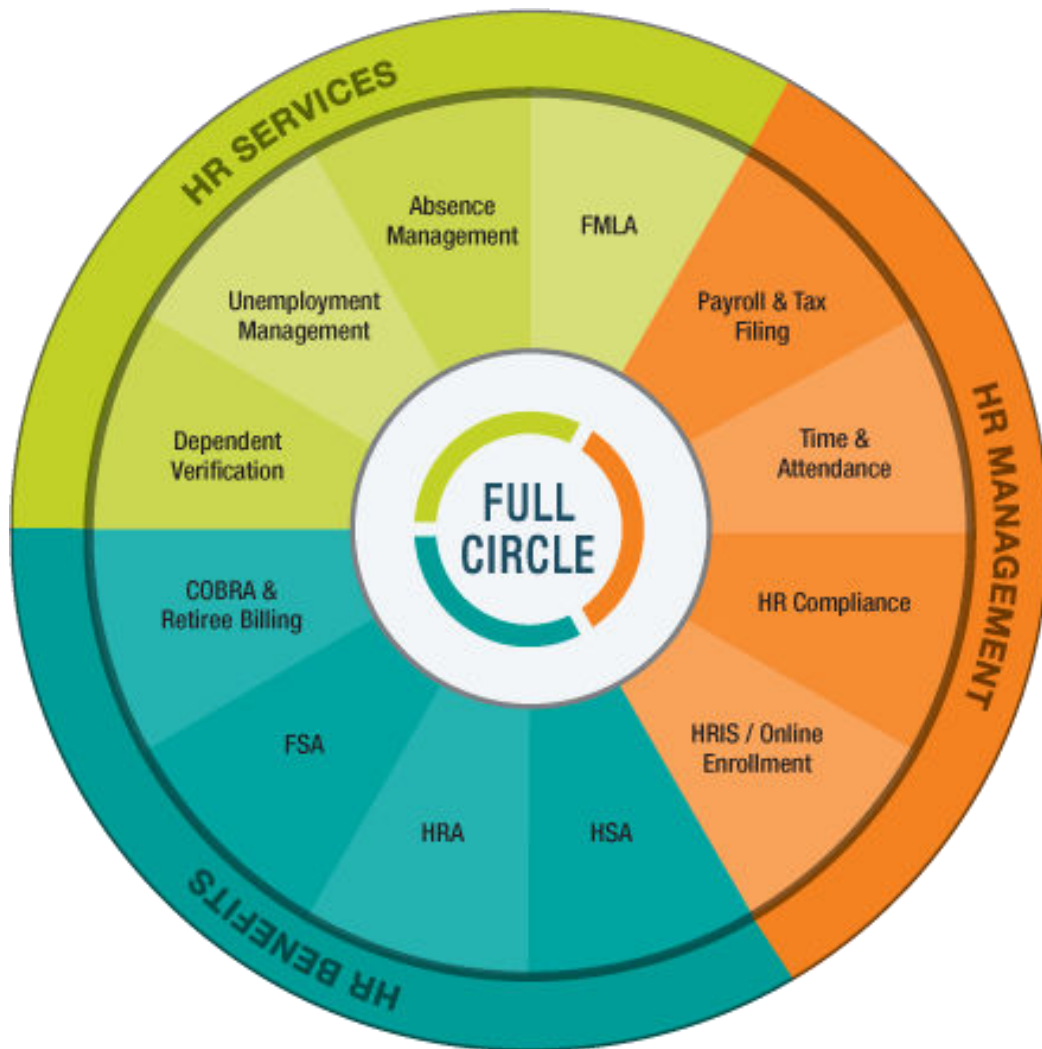
Presented by: Mary Bauman



- HR Benefits
- HR Management
- HR Services

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Pay or Play Penalties



- The \$2,000 and \$3,000 pay or play penalties are adjusted for inflation
- For calendar year 2015, the \$2,000 penalty is \$2,080 and the \$3,000 penalty is \$3,120
- For calendar year 2016, the \$2,000 penalty is \$2,160 and the \$3,000 penalty is \$3,240

Pay or Play Reporting



- IRS requires insurers and large employers to file reporting forms in order to enforce the pay or play penalties

Reporting Deadlines



- 1095-Cs for 2015 were required to be furnished to full-time employees by March 31, 2016
- 1095-Cs for 2015 must be filed with the IRS along with 1094-C transmittal form
 - By May 31 if filing by mail
 - By June 30 if filing electronically
 - If 250 or more 1095-Cs are being filed per EIN, electronic filing is required

Next Steps



- If an employee receives a premium tax credit to offset the cost of coverage on the Exchange, it may trigger a pay or play penalty for the employer
- Exchange requires notice to employers when providing the premium tax credit
 - State exchanges began doing so in 2015
 - Federal exchanges will begin providing notice in 2016

Next Steps



- Employers can appeal a determination that an employee is eligible for a premium tax credit

Next Steps



- IRS will issue a notice of assessment regarding pay or play penalties
 - The notice will not be issued until after the individual files his or her tax return for the year at issue indicating whether the individual received a premium tax credit and the employer files its 1094-C and 1095-Cs with IRS
 - Employer will have opportunity to respond before IRS assesses penalty

Next Steps



- IRS may also audit employers for compliance with the pay or play penalty

Reporting Penalties



- IRS can assess \$250 penalty per return for late, incomplete or incorrect forms
- IRS will grant relief for incomplete or incorrect returns for first year if good faith effort

Correcting Forms



- IRS expects a corrected 1095-C to be prepared and furnished/filed for any of the following errors:
 - Individual's name or Social Security Number
 - Employer's EIN
 - Indicator code in Lines 14 or 16
 - Cost in Line 15
 - Information about enrollees in Part III (where self-funded)

Correcting Forms



- If incorrect 1095-C has not already been filed with IRS:
 - Prepare corrected form
 - Write “corrected” on top
 - Redistribute to employee
 - File with IRS by May 31 (mail) or June 30 (electronic)
 - Original incorrect Form 1095-C is not filed

Correcting Forms



- If incorrect 1095-C was filed with the IRS:
 - Prepare corrected form
 - Enter “X” in corrected check box
 - Redistribute to employee
 - File all corrected 1095-Cs with IRS along with 1094-C transmittal form
 - Do not check corrected check box on 1094-C
 - Do not check as authoritative transmittal and complete only Part I of 1094-C

Correcting Forms



- IRS expects a corrected 1094-C to be prepared and filed for any of the following errors:
 - Employer's name or EIN
 - Number of 1095-Cs filed
 - Information regarding ALE group
 - Line 22 relief
 - Any column of Part III except total employee headcount

Correcting Forms



- If incorrect 1094-C was filed with IRS:
 - Prepare corrected form (all parts)
 - Enter “X” in corrected check box
 - Mark as authoritative transmittal
 - Do not include 1095-Cs
 - File with IRS

Quicker Deadlines



- For 2016 and later years 1095-Cs must be distributed to employees by the first business day on or after January 31
- The 1094-C and 1095-Cs must be filed with the IRS
 - By the first business day on or after February 28 if filing by mail
 - By the first business day on or after March 31 if filing electronically

New Forms



- Forms for 2016 will be different
 - No special reporting mid-size employers
 - No transition relief for non-calendar year plan year employers
 - Plan start month
- If spouse's offer of coverage is conditioned on not being eligible for other employer coverage, a new indicator code is expected for Line 14

Maintain Transition Relief Records



- Mid-size employers during 2014 must complete reporting for 2015 but pay or play penalties deferred until 2016
- Records to demonstrate 50-99 size during 2014?
- For 2016 and later reporting and penalties will be the same for all employers with 50 or more FT employees
- Employers under 50 must continue to maintain records to demonstrate not a large employer

Maintain Transition Relief Records



- Employers operating their group health plans on a non-calendar year basis can defer any pay or play penalty liability until the first day of the 2015 plan year
- Records to demonstrate plan has operated on a non-calendar year basis per requirements in regulations?
- First day of plan year will continue to be relevant for measuring affordability

Maintain Records to Prove Who Isn't Full-Time



- IRS will assume all your common-law employees are full-time unless you can demonstrate otherwise
- Two options:
 - Monthly measurement period
 - Look-back measurement period
- Records to demonstrate testing?

Count All Hours in Measuring for Full-Time Status



- **Must credit:**
 - All hours worked and paid
 - All hours paid but not worked (e.g., PTO)
 - All unpaid hours not worked due to FMLA, USERRA or jury duty

Count All Hours in Measuring for Full-Time Status



- IRS Notice 2015-87 clarifies hours crediting rules
- An employee's hours of service:
 - Do not include hours paid solely to comply with state workers' compensation or disability laws
 - Do include hours paid under an employer-provided short or long-term disability plan unless the benefit is solely paid with employee after-tax dollars

Make Sure SPD and Administrative Practice Align with Reporting



- For any employees not classified as full-time but who are credited with minimum hours during a measurement period, will you offer coverage?
 - What coverage-medical only or all benefits?
 - Same terms as full-time?
- If part-time employee or leased employee is transferred to/hired into a full-time position, will you credit past service toward waiting period?

Maintain Records to Demonstrate Affordability



- Which affordability safe harbor are you relying on?
 - Box 1 W-2
 - Federal poverty line
 - Rate of pay

Maintain Records to Demonstrate Affordability



- In measuring for affordability, the employee's required contribution cannot exceed 9.5% of one of three affordability safe harbors
- While the 9.5% figure was adjusted annually for inflation when determining an employee's eligibility for a premium tax credit on the exchange, IRS regulations did not extend the inflation adjuster for pay or play purposes

Maintain Records to Demonstrate Affordability



- IRS Notice 2015-87 clarifies that the inflation adjuster is also intended to apply on the affordability/pay or play side
- For plan years beginning in 2015 affordability is measured based on a 9.56% threshold, increasing to 9.66% for plan years beginning in 2016

Consider Opt-Out in Affordability



- If an employer pays additional compensation to an employee who waives employer group health coverage, the opt out payment will be required to be included in measuring for affordability in the future

Consider Opt-Out in Affordability



- Example: Employer charges full-time employees \$75 per month for single coverage under the cheapest medical plan option providing minimum value
- The employer also pays full-time employees an additional \$100 per month for waiving single coverage
- The employer must consider \$75 plus \$100 (\$175 total per month) as the cost of single employee health coverage for pay or play affordability purposes

Consider Opt-Out in Affordability



- As long as the opt out was in place as of December 16, 2015, it can be disregarded in measuring for affordability until a time period beginning after yet to be issued regulations are published
- If an employer conditions the opt out on the employee also providing proof of enrollment in other coverage such as through his or her spouse's employer, it is unclear whether this rule will apply

Don't Overlook Impact of Transfer to Part-Time Status



- If you measure for full-time status based on look-back measurement period, a full-time employee must continue to be reported as full-time for entire plan year even if mid-year transfer to part-time status
- Options upon transfer:
 - Terminate coverage and offer COBRA
 - Subsidize COBRA cost so affordable
 - Continue medical coverage until end of plan year

And Don't Forget About Leaves of Absence



- Same issues as part-time employee transfer situation
- IRS requires employee on leave to continue to be reported as full-time unless terminated
- This rule is not just for FMLA leaves but any employer-allowed leaves of absence



Questions



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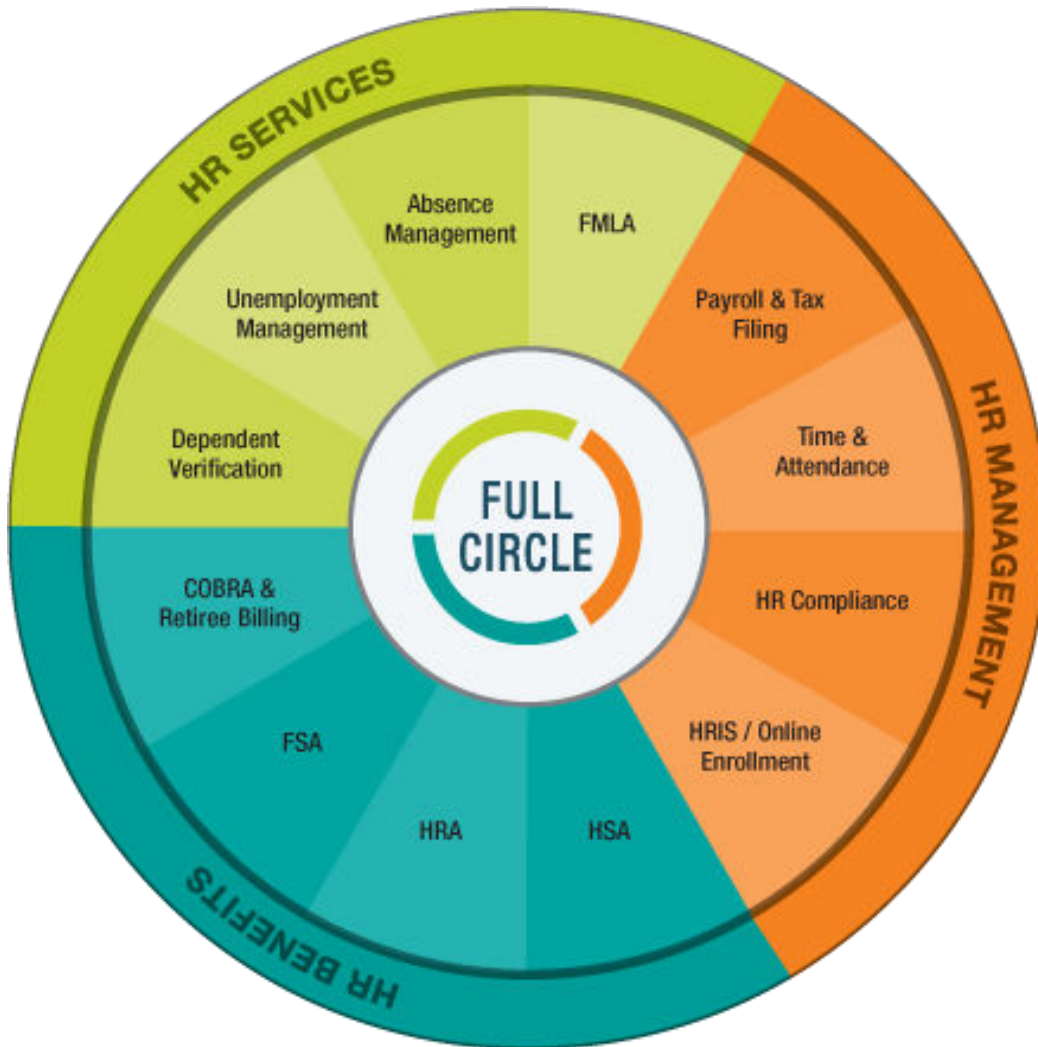


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