

Issue Brief

IRS Issues Final ACA Employer Reporting Rules

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The IRS has released final regulations regarding important new employer reporting requirements contained in the Affordable Care Act (ACA). The ACA requires applicable large employers (as defined by the ACA) to provide new health plan reporting to the IRS beginning in 2016. The IRS previously released proposed reporting rules in September 2013 and requested comments on a number of issues. These final regulations provide some simplification of the requirements and address a number of questions left unanswered in the proposed regulations. However, even with the changes, the reporting requirements will create significant administrative obligations for some employers.

Background and Effective Date

The ACA created two new sections in the Code, sections 6055 and 6056. These sections require employers, plan sponsors, and insurers to report certain information designed to provide the IRS with the information necessary to administer the individual mandate tax and employer penalties under the 4980H employer shared responsibility rules (often called “pay or play”).

The reporting requirements will be administered in a manner very similar to the current W-2 process employers use to report employee income-related information to the IRS. As with W-2s, employers are required to provide an information return containing the required 6055 and 6056 data to the IRS, and also to issue a statement to each individual.

Originally the ACA employer reporting rules were to go into effect in 2015 for coverage provided during calendar year 2014. However, in July 2013, the IRS announced a delay in the enforcement of the employer shared responsibility rules, and also delayed the related reporting. Due to this enforcement delay, employers will not be required to comply with these reporting requirements until early in 2016. The first reporting will include information related to employer coverage provided during 2015. Reporting will be on a calendar year basis regardless of the employer’s plan year.

Recently the IRS also delayed the shared responsibility coverage requirements for employers with 50-99 FTEs until 2016. However, reporting requirements have not been further delayed, and employers with 50-99 FTEs are still subject to the reporting requirements beginning in 2016 for 2015 calendar year plan data.

What Employers Are Affected?

All fully insured and self-funded “applicable large employers” as defined by the ACA (generally those with at least 50 FTEs) will be required to comply with the 6056 plan reporting requirements. Applicable large employers who sponsor self-funded plans are also subject to separate 6055 coverage reporting rules. However, in one of the most significant elements of the final rules, employers who are subject to both reporting requirements will be able to use a single form to report both 6055 and 6056 data.

In another important development, employers who meet certain plan cost and coverage criteria will be able to take advantage of simplified alternative reporting methods (described below). Finally, each employer who is part of an aggregated group determined under Code §414 is required to separately complete any required 6055 and 6056 reporting.

Reporting Details

In general, the reporting process will work much the same as current W-2 reporting, with a set of data that is required to be provided to the IRS on an employer return and a corresponding statement provided to employees for use in filing their personal tax return.

6056 Employer Plan Reporting

All “applicable large employers” (both fully insured and self-funded) must report plan and employee information to the IRS. Information that will be included in the 6056 reporting includes:

1. The employer’s name, date, and employer identification number (EIN).
2. A certification as to whether the employer offers its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage.
3. The number of full-time employees for each month during the calendar year.
4. The name, address, and taxpayer identification number of each full-time employee during the calendar year and the months during which that employee was covered under any of the employer’s health plans.

In a welcome change from the proposed rules, employers will not be required to report the following information:

- The length of any waiting period.
- The months during the calendar year for which coverage under the plan was available.
- The monthly premium for the lowest cost option under the plan.
- The employer’s share of the total allowed costs of benefits provided under the plan.

6055 Coverage Reporting

Self-funded applicable large employers are also subject to the section 6055 reporting of coverage. This report will require the employer to provide the following information:

1. The name, address, and social security number (SSN) of the primary insured.
2. The name and SSN of each other individual, including spouses and dependents, covered under a policy.
3. Which months the individuals were covered.

In some cases, the employer may be able to use the birthdate for individuals for whom they cannot obtain the SSN. However, the regulations also contain a process that employers must use to make a “reasonable attempt” to collect the SSNs of all participants. The method requires the employer to make multiple attempts to collect the SSN.

Timing of Reporting

Annual employer returns must be filed with the IRS by February 28 (March 31, if filed electronically). The report will include plan and employee information for the prior calendar year regardless of the employer’s plan year. Corresponding employee statements must be provided annually to full-time employees by January 31. This is the same timing that applies to W-2 and 1099 filing.

Combined Reporting for Self-funded Employers Subject to Both Requirements

Since self-funded employers are subject to both reporting requirements, the IRS asked for comments on a number of proposed methods to combine the reporting. In response to the comments, the final regulations allow large employers to use a single combined form. An employer who sponsors a self-insured plan can report using a form that will include information required under both Section 6055 and Section 6056. Employers with fully insured plans will complete only the part of the form containing information required under Section 6056.

The IRS stated that it will soon release instructions and a draft version of the Form 1094-C for reporting to the IRS and the Form 1095-C (an employee statement for combined reporting to employees).

Optional Simplified Alternative Methods

Employers are allowed to use alternative simplified reporting methods if certain criteria are met. Under these simplified approaches, the level of information required is reduced. Employers can choose to use a simplified method for groups of employees where the criteria are met, and continue to use the general reporting method for other employees.

Alternative 1: Simplified Reporting Based on Certification of Qualifying Offer

If an employer certifies that it made a “qualifying offer” of health insurance coverage to full-time employees for all months during the year, it may report simplified information to the IRS and in the employee statement. A “qualifying offer” means:

- The employer offered minimum value (60% actuarial value) coverage.
- The required employee contribution for employee-only (single) coverage was no more than 9.5% of the federal poverty level (FPL). This would equal an employee contribution for single coverage of no more than \$92.39 per month based on the 2014 FPL.
- Minimum essential coverage was offered to employees’ spouses and dependents.

2015 Transition Rule - Under a special transition rule for 2015, this simplified reporting method is allowed if the employer certifies that it has made a qualifying offer to at least 95% of its full-time employees and their spouses and dependents. In this case, the employer will be required to provide only a simple statement to employees regarding the offer of coverage. The IRS plans to release statement language for this purpose.

Alternative 2: Option to Report without Separate Identification of Full-Time Employees (98 percent Offers)

The general reporting rules require employers to provide the IRS with details on each full-time employee. A separate simplified method allows employers to report to the IRS without identifying or specifying the number of full-time employees. Employers meeting these criteria have significantly reduced reporting requirements.

To take advantage of this method an employer would be required to certify that:

- It offered coverage to at least 98% (not 95% as with the 2015 transition rule) of full-time employees;
- The coverage was minimum value (60% actuarial value); and
- The coverage was affordable based on any of the employer affordability safe harbors in the ACA shared responsibility regulations.

Summary

Although the changes to the requirements and creation of optional simplified reporting methods will help many employers, these new reporting requirements create a significant administrative burden on many large employers. The IRS plans to release the required forms and detailed instructions soon and allow employers to optionally file in 2015 for 2014 calendar year data. Some employers may wish to take advantage of this optional filing year as a sort of “dry run” prior to the first required reporting in early 2016.

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