

Issue Brief

IRS Issues Proposed Employer Reporting Rules

Issue Date: September 2013

The IRS has released proposed rules related to Affordable Care Act (ACA) employer and insurance carrier reporting requirements. The ACA created two new sections in the Tax Code, section 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 ACA employer shared responsibility rules (often called “pay or play”). The proposed regulations provide insight regarding how the IRS plans to implement these reporting requirements. While the rules are only proposed, and the IRS is asking for comments before finalizing the requirements, it is expected that the final rules will be very similar to the proposed rules.

Effective Date

Originally the employer reporting rules contained in Code sections 6055 and 6056 were to go into effect in 2015 for coverage provided during 2014. However, in July 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 which will include information related to coverage provided during 2015. Reporting will be on a calendar year basis regardless of the employer plan year.

6055 Coverage Reporting

To assist the IRS in determining if individuals carry health insurance coverage for purposes of the individual mandate, employers and health insurance companies must provide monthly coverage details to the IRS, and provide a statement to each covered individual that mirrors the information provided to the IRS.

- For fully insured plans the health insurance carrier providing the coverage is responsible for the reporting.
- Employers who sponsor self-funded plans will be responsible for the reporting, but it is expected that claims administrators will be allowed to report the information on behalf of the employer/plan sponsor.

The reporting process will work much the same as W-2 reporting with a set of data that is required to be provided to the IRS combined with a statement that is provided to each covered individual to use in the filing of their tax return.

The following information will be included in the report:

1. The name, address, and taxpayer identification number (TIN) of the primary insured.
2. The name, dates of coverage, and TIN of each individual covered under a policy.
3. Whether health insurance coverage is a qualified health plan offered through an Exchange.
4. For a qualified health plan, the amount of any advance payments of the premium tax credit, and cost-sharing reductions (employees covered by an employer’s self-funded health plan will not typically also qualify for ACA subsidies so this element will not be included in a typical self-funded employer report).

6056 Employer Plan Reporting

In a separate reporting requirement, all “applicable large employers” who are subject to the ACA shared responsibility rules must report plan and employee information to the IRS. As with the 6055 reporting, the process will be very similar to W-2 reporting with certain information provided to the IRS and a corresponding statement that must be provided to employees. In this case, the employer is responsible for the reporting whether the plan is fully insured or self-funded.

Information that will be included in the 6056 reporting includes:

1. The employers 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.

If the employer certifies that it offers full-time employees the opportunity to enroll in minimum essential coverage, the report must also include:

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

The employer will also be required to provide employees with a statement providing them with the information that is included in the 6056 return.

Proposed Methods to Combine Reporting for Self-funded Employers Subject to Both Requirements

Since self-funded employers are subject to both reporting requirements, the IRS has asked for comments on a number of proposed methods to combine the reporting, and simplify the administrative burden imposed on employers. While claims administrators will likely be able to assist self-funded employers with the 6055 coverage reporting, the 6056 plan reporting contains information that may not be readily available to the administrator.

Summary

Obviously, these new reporting requirements will impose significant administrative responsibilities on applicable large employers, especially those that sponsor self-funded plans. Fortunately, the delay in the reporting requirements gives employers some time to prepare, and hopefully some combination of the reporting will simplify the process. The proposed rules for 6055 coverage reporting can be found at <https://www.federalregister.gov/articles/2013/09/09/2013-21783/information-reporting-of-minimum-essential-coverage>. The 6056 plan reporting rules can be found at <https://www.federalregister.gov/articles/2013/09/09/2013-21791/information-reporting-by-applicable-large-employers-on-health-insurance-coverage-offered-under>.

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