

Guide to the ACA's employer reporting requirements

The Patient Protection and Affordable Care Act (ACA) requires any employer that files 250 or more W-2s to report the cost of health care coverage under an employer-sponsored group plan on employees' W-2 forms.

Known as the reporting requirement, this provision will concern only 4% of the nation's employers. The other 96% of employers, those that employ 50 or fewer employees, will not be affected. Those employers that must comply with the new reporting guidelines also must continue to offer quality, affordable coverage.

Reporting the coverage does not mean it is taxable. It is important to note that employers may use a single, combined form to satisfy their reporting obligations.



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What regulatory agency does the ACA empower to oversee the employer reporting requirements?

The U.S. Department of Treasury and the Internal Revenue Service (IRS) will [oversee and administer](#) the employer reporting requirements. While the IRS initially set the effective date to January 1, 2014, the requirement was delayed to January 1, 2015 (through IRS Notice 2013-45).

The [final regulation](#) issued in March 2014 elaborates on two major sections of the Internal Revenue Code (Section 6055 and Section 6056 established by the ACA), which creates a framework for the employer reporting requirements:

[Section 6055](#) requires health insurance issuers, certain employers, and others that provide minimum essential coverage to individuals to report to the IRS information about the type and period of coverage and furnish the information in statements to covered individuals.

[Section 6056](#) addresses the reporting requirements for large employers, as defined by the employer mandate (those who employ at least 50 full-time or full-time equivalent employees). Section 6056 requires those employers to report to the IRS information about the health care coverage, if any, they offered to full-time employees, in order to administer the employer shared responsibility provisions of section 4980H of the Code. Section 6056 also requires those employers to furnish related statements to employees that employees may use to determine whether, for each month of the calendar year, they may claim on their individual tax returns a premium tax credit under Section 36B (premium tax credit). The regulations provide for a general reporting method and alternative reporting methods designed to simplify and reduce the cost of reporting for employers subject to the information reporting requirements under Section 6056.

What are the reporting requirements under Section 6055?¹

For self-insured employers, information returns to the IRS for employer-sponsored coverage must include:

1. The employer's name, address, and employer identification number (EIN) of the provider.
2. The responsible individual's name, address, and taxpayer identification number (TIN)² or date of birth if a TIN is not available. If the responsible individual is not enrolled in the coverage, providers may, but are not required to, report the TIN of the responsible individual.
3. The name and TIN, or date of birth if a TIN is not available, of each individual covered under the policy or program and the months for which the individual was enrolled in coverage and entitled to receive benefits.
4. For coverage provided by a health insurance issuer through a group health plan, the name, address, and EIN of the employer sponsoring the plan and whether the coverage is a qualified health plan enrolled in through the SHOP³ and (except for 2014 coverage reported in 2015) the SHOP's identifier.
5. Other information specified in forms, instructions, or published guidance.

Note: Any employer that must file at least 250 Forms 1095-B or 1095-C must file under 6055 electronically.

What must large employers report under Section 6056?⁴

Large employers subject to Section 6056 will file a separate return for each full-time employee and transmit these to the IRS. The information must include:

- The employer's name, address, and identification number.
- The name and phone number of the employer's contact person (which can be a third party).
- The calendar year for which the information is reported.

1 Find out more about Section 6055 [here](#)

2 Reporting of taxpayer identification numbers for responsible individuals who are not enrolled in the coverage is not required.

3 The Small Business Health Options Program (SHOP) Marketplace helps employers with 50 or fewer employees offer affordable, flexible health plans.

4 Find out more about Section 6056 [here](#)

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- A certification as to whether the employer offered its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an employer-sponsored plan, by calendar month.
 - The months in which minimum essential coverage under the plan was available.
 - Each full-time employee's share of the lowest-cost monthly premium (self-only) for coverage providing minimum value by calendar month.
 - The number of full-time employees by calendar month.
 - The name, address, taxpayer identification number of each full-time employee (but not dependents or others covered through employee), and the months, if any, during which the employee was covered under the plan.
 - Any other information required by the IRS.
 - If an appropriately designated person is reporting on behalf of an employer that is a governmental unit or any agency or instrumentality thereof for purposes of section 6056, the name, address, and identification number of the appropriately designated person.

Employers also must report the following information using indicator codes:

- Whether coverage provides minimum value and whether employees had an opportunity to enroll spouses in coverage
- The total number of employees by calendar month
- Whether an employee's effective date of coverage was affected by a waiting period, by calendar month
- Whether the employer had no employees during any particular month
- Whether the employer is part of an aggregated group and the name and employer identification numbers of all other members
- If the employer contributes to a multiemployer plan, whether the employer is not subject to an employer mandate penalty because of its contribution to the plan
- If a third party is reporting, the name, address, and identification number of the third party
- If an appropriately designated person is reporting on behalf of an employer that is a governmental unit or any agency or instrumentality thereof for purposes of section 6056, the name, address, and identification number of the appropriately designated person

Employers will use a code to report the following information for all full-time employees for each calendar month:

- Whether the minimum essential coverage was offered to the employee only, the employee and children only, the employee and spouse only, or the employee, spouse and children
- Reasons why coverage was not offered to an employee
- Whether coverage was offered to an employee although he or she was not full time
- Whether the employee was covered under the plan
- Whether the employer met one of the employer mandate's affordability safe harbors with respect to the employee

What is NOT required by employers under Section 6056?

Under the final regulations of Section 6056, employers [are not required](#) to report:

- The length of any waiting period.
- The employer's share of the total allowed costs of benefits provided under the plan.
- The monthly premium for the lowest-cost option in each of the enrollment categories (for example, self-only coverage or family coverage) under the plan.
- The months, if any, during which any of the employee's dependents were covered under the plan (instead, this information will be reported as part of the Section 6055 information return).

What MUST be reported on the W-2?

Generally, when information is submitted to the IRS, it must be reported to [applicable W-2s](#). However, in the context of the reporting requirement, the value of the health care coverage will be reported in Box 12 of the W-2 with Code DD to identify the amount. The value should include the portion paid by both the employer and the employee. See Appendix A on page 7 for details

Will the reporting forms for Sections 6055 and 6056 have similar fields? How will duplicative reporting be avoided?

To avoid duplicative reporting, a combined form for Sections 6055 and 6056 will be instituted. Employers with fewer than 50 full-time employees are exempt from the ACA employer-shared responsibility provisions and therefore exempt from the employer reporting requirement. Employers large enough to be subject to the employer provisions and that “self-insure” will complete both parts of the combined form for the information reporting. “Non-self-insured” employers subject to the employer responsibility requirements will complete only the 6056 (the top) of the combined form. Insurers and other providers of health coverage will use a separate form for the reporting. Insurers do not have to report on enrollees in the Health Insurance Marketplace, since it already provides information on an individual's coverage.

What is the “simplified option” for employer reporting, and how is it different?

For employers that provide a “qualifying offer” to any full-time employee, the final rules provide a [simplified alternative](#) to reporting monthly employee-specific information for those employees.

Under the simplified option, employers will need to report only the name, address, and taxpayer identification numbers of those employees and the fact that they received a full-year qualifying offer for employees who receive such offer for fewer than all 12 months of the year.

This information may be submitted to the IRS for each of those months by entering a code indicating that the quality offer was made. To provide for a phase-in of the simplified option, employers certifying that they have made a qualifying offer to 95% of their full-time employees (plus an offer to their families) will be able to use an even simpler alternative method in 2015. These employers may use the simplified, streamlined reporting method for their entire workforce, including any employees who do not receive a qualifying offer for the full year. Additionally, employers are given the option to avoid identifying in the report which employees are full-time.

Note: “Qualifying offer” is an offer of minimum value coverage that provides employee-only coverage at a cost to the employee of no more than about \$1,100 in 2015 (9.5% of the Federal Poverty Level), combined with an offer of coverage for the employee's family.

What type of information is requested under the reporting requirements?

For the [specific information](#) that must be included, see the chart in [Appendix A](#) on page 7.

How are deducted contributions reported?

Employers must report deducted contributions on the W-2. Section 9002 of the ACA amended Section 6051(a) of the Internal Revenue Code requires certain employers, including those on AFLAC plans, to report contributions on a pretax basis.

Is aggregate reporting permitted?

For the purposes of the 6055/6056 reporting requirements, employers cannot aggregate their reporting. Therefore, each employer in a controlled group must report for its employees. For example, common ownership through a group of wholly owned subs or MEWA plan does not mitigate any individual employer's reporting requirements.

When must the information be reported?

Information reported to the IRS for Sections 6055 and 6056 must be filed by February 28 of the following calendar year in which the entity provided minimum essential coverage. However, if filed electronically, the report must be filed by March 31.

Are there any applicable penalties?

Yes. Incorrect or incomplete information on filings and statements will subject reporting entities to penalties up to \$100 per incorrect return to the IRS or statement furnished to an individual. However, penalties will be reduced if the entity files a corrected return within 30 days after the required filing date. Penalties also will be reduced by a smaller amount if the return is corrected by August 1 following the reporting date. Penalties may be waived if the failure is due to reasonable cause and not willful neglect. The IRS has indicated it will not impose penalties for incorrect or incomplete information on returns and statements filed and furnished in 2016 to report 2015.

Does the IRS have a web resource page addressing ACA requirements?

Yes. Most current information on the IRS website regarding the ACA can be found at: www.irs.gov

Where can I find most of the applicable IRS forms that an employer might need?

Visit the [IRS form resource page](#).

What information needs to be reported to employees?

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan on an employee's W-2 Form, Wage and Tax Statement in Box 12, using Code DD. In addition, the final regulations require that full-time employees receive a "Section 6056 employee statement" or similar substitute form that includes the name, address, and EIN information.

Note: Self-insurers need to provide 6055 statements to "responsible individuals," including employees, though this may be combined.

How are the new reporting regulations being perceived by key stakeholders? Are they helpful?

Reviews are mixed. Details in the final regulations will help to alleviate the burden on employers subject to the reporting requirements. Nonetheless, the regulations place some significant burdens on employers, such as requiring them to provide annual statements to various individuals as well as report specific information that may be administratively burdensome to obtain.

The final regulations have been met with both positive and negative feedback. While many appreciate the improvements made to the final regulations, others still believe the requirements are [too burdensome](#):

“Complying with the ACA reporting requirements will be an extremely daunting task for business of all sizes,” says Christine Pollack, vice president of government affairs for the Retail Industry Leaders Association.

Therefore, employers should start preparing for the reporting requirements when practicable. Employers eligible for transition relief under the employer mandate (that is, employers with at least 50 full-time employees but fewer than 100 full-time employees, including full-time equivalent employees) still need to report under Section 6056 for 2015.

Appendix A: IRS Reporting Chart*

W-2 Form Reporting of Employer-Sponsored Health Coverage

Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Major medical	✓		
Dental or vision plan not integrated into another medical or health plan			✓
Dental or vision plan that gives the choice of declining or electing and paying an additional premium			✓
Health Flexible Spending Arrangement (FSA) funded solely by salary-reduction amounts		✓	
Health FSA value for the plan year in excess of employee’s cafeteria plan salary reductions for all qualified benefits	✓		
Health Reimbursement Arrangement (HRA) contributions			✓
Health Savings Arrangement (HSA) contributions (employer or employee)		✓	
Archer Medical Savings Account (Archer MSA) contributions (employer or employee)		✓	
Hospital indemnity or specified illness (insured or self-funded), paid on after-tax basis		✓	
Hospital indemnity or specified illness (insured or self-funded), paid through salary reduction (pretax) or by employer	✓		
Employee Assistance Plan (EAP) providing applicable employer-sponsored healthcare coverage	If employer charges a COBRA premium		If employer does not charge a COBRA premium
On-site medical clinics providing applicable employer-sponsored healthcare coverage	If employer charges a COBRA premium		If employer does not charge a COBRA premium

*Find out more at the [IRS website](#)

	If employer charges a COBRA premium		If employer does not charge a COBRA premium
Wellness programs providing applicable employer-sponsored healthcare coverage			
Multiemployer plans			✓
Domestic partner coverage included in gross income	✓		
Governmental plans providing coverage primarily for members of the military and their families		✓	
Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government		✓	
Self-funded plans not subject to Federal COBRA			✓
Accident or disability income		✓	
Long-term care		✓	
Liability insurance		✓	
Supplemental liability insurance		✓	
Workers' compensation		✓	
Automobile medical payment insurance		✓	
Credit-only insurance		✓	
Excess reimbursement to highly compensated individual, included in gross income		✓	
Payment/reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income		✓	

Other situations

Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Employers required to file fewer than 250 W-2 forms for the preceding calendar year (determined without application of any entity aggregation rules for related employers)			✓
W-2 form furnished to employees who terminate before the end of a calendar year and request, in writing, a W-2 form before the end of that year			✓
W-2 form provided by third-party sick-pay provider to employees of other employers			✓

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Stay tuned as Sage continues to report on the 2015 employer reporting requirements and its outcomes.

Please visit our website to stay up to date on the latest health care reform news.

www.SageCanHelp.com

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