

EXPERT UPDATE



EXPECT AN EXPERT

Large Employer Update – Final 2016 1094-C & 1095-C Forms

By Shari Herrle, Director of Compliance

The IRS has released its final [1094-C](#) and [1095-C](#) forms and [instructions](#) for the 2016 Affordable Care Act (ACA) filing requirement. Applicable Large Employers (ALEs) that averaged 50 or more full-time and full-time equivalent employees for calendar year 2015 should take note of the changes now so they can begin to incorporate the revisions into their process.

The good news – there are no major modifications to the data required or how the information is displayed in the 2016 forms. This Expert Update summarizes the changes and includes a chart for the 1095-C line 14 codes.

Due Dates

The 1095-C (employee statement) is due to employees by January 31, 2017. Due dates for filing the forms to the IRS are as follows:

Employer (EIN) Size	Filing to IRS on paper	Filing to IRS electronically
<250 Forms produced	February 28, 2017	March 31, 2017
250+ Forms produced	N/A since not permitted	March 31, 2017

What Large Employers are required to produce these forms?

The ACA requires employers to use a specific formula to determine whether they are an ALE subject to the reporting requirement. It is critical that employers determine **now** whether they are required to report for 2016 if they have not already done so. Small companies that are part of a larger aggregated employer group, 2016 start ups and existing employers established in 2015 that have 50 or more full-time and full-time equivalents should do the analysis now as well.

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company's needs. This document should be reviewed by your legal counsel or tax consultant before use.

EXPERT UPDATE



EXPECT AN EXPERT

If you are unsure whether you are a large employer, please contact your HBI consultant or analyst for more information.

Summary of 1095-C (Employee Statement) Changes

- Line 14, “Employee Offer and Coverage” section in Part II of the employee statement is used to specify the type of coverage, if any, offered to an employee, the employee's spouse, and the employee's dependents. The type of coverage is shown via several codes (see chart displayed later in this document).
 - Code 1I, Qualifying Offer Transition Relief 2015, has been dropped for 2016.
 - New codes 1J and 1K have been added to address conditional offers of spousal coverage (also referred to as coverage offered conditionally).
- The caption for line 15 has been changed to “Employee Required Contribution”.
- The caption for line 16 has been changed to “Section 4980H Safe Harbor and Other Relief”.
- Line 16, Code 2I, “2015 non-calendar year transition relief applied to this employee,” has been removed.
- Part II of the form contains an unnumbered line for “Plan Start Month.” This line was optional for 2015 and the 2016 draft instructions indicate that this line is again optional for 2016.
- Later in the form the statement “Do not attach to your tax return. Keep for your records.” was inserted under the title of the form to inform the recipient that the 1095-C should not be submitted with his/her income tax return.

Refer to the following chart for a summary of the Line 14 codes, including the new codes introduced for conditional offers of coverage to spouses.

1095-C Line 14 Code Chart

1A: Qualifying Offer: Minimum essential coverage (MEC) providing minimum value offered to full-time employee with employee required contribution equal to or less than 9.5% (as adjusted) of mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s).

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company's needs. This document should be reviewed by your legal counsel or tax consultant before use.

EXPERT UPDATE



EXPECT AN EXPERT

1B: MEC providing minimum value offered to employee only.

1C: MEC providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s), but not spouse.

1D: MEC providing minimum value offered to employee and at least minimum essential coverage offered to spouse, but not dependent(s).

1E: MEC providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. DO NOT use if spouse was offered MEC conditionally (see new codes).

1F: MEC NOT providing minimum value offered to employee, or employee and spouse or dependent(s), or employee, spouse and dependents.

1G: Offer of coverage to an individual who was not an employee for any month of the calendar year or to an employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.

1H: No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee).

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company's needs. This document should be reviewed by your legal counsel or tax consultant before use.

EXPERT UPDATE



EXPECT AN EXPERT

1I: **Now Reserved**

1J: **New Code** - MEC providing minimum value offered to employee and at least MEC conditionally offered to spouse. MEC not offered to dependents.

1K: **New Code** - MEC providing minimum value offered to employee, at least MEC conditionally offered to spouse and at least MEC offered to dependents.

Clarifications for COBRA & Post-Employment Reporting on 1095-C

The final instructions contain a few clarifications regarding COBRA coverage. An offer of COBRA coverage is reported differently depending on whether or not the offer was made due to termination of employment or a reduction of hours. For example:

- An offer of COBRA coverage that is made to a **former** employee:
 - Should not be reported as an offer of coverage on line 14. In this situation code 1H (No offer of coverage) should be reported for any month in which the offer of COBRA applies. Code 2A (Employee not employed during the month) is then inserted on line 16 for these same months. For any month in which the employee terminates employment, code 2B is inserted on line 16.
- An offer of COBRA coverage that is made to an employee who **remains employed** by the employer:
 - Should be reported on line 14 as an offer of coverage, but only for any individual who receives an offer of COBRA (or an offer of other similar coverage).

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company's needs. This document should be reviewed by your legal counsel or tax consultant before use.

EXPERT UPDATE



EXPECT AN EXPERT

- For self-insured employers:
 - Report code 1G in the “all 12 months” box on line 14 for an offer of COBRA or retiree coverage to a former employee (or former employee’s spouse or dependent) who was enrolled in coverage for one or more calendar months of 2016, but was not an employee for ANY calendar month of the year. This would be a retiree or a COBRA participant terminated from employment in 2015. Leave lines 15 and 16 blank.

Summary of 1094-C (Transmittal) Changes

The final instructions report multiple changes for the transmittal, including:

- Line 22, Box B is now designated as “Reserved” because the Qualifying Offer Method Transition Relief is not applicable for 2016.
- Part III, column B is now labeled as “Section 4980H Full-Time Employee Count for ALE Member” to remind employers that the ACA Play or Pay definition of full-time employee applies.

Corrected Returns

The IRS requires that a corrected return be filed as soon as possible after an error is discovered.

- **Corrections to Form 1094-C:** If correcting information on the Authoritative Transmittal (identified on Part I, line 19, as the Authoritative Transmittal, one (and only one) of which must be filed for each ALE Member reporting aggregate employer-level data for all full-time employees and employees of the ALE Member), file a standalone fully completed Form 1094-C including the correct information and enter an “X” in the CORRECTED checkbox.

Do not file a return correcting information on a Form 1094-C that is not the Authoritative Transmittal and do not file any other documents (e.g. Form 1095-C) with the corrected Authoritative Transmittal.

- **Corrections to Form 1095-C:** If correcting information on a Form 1095-C that was previously filed with the IRS, file a fully completed Form 1095-C including the correct information and enter an “X” in the CORRECTED checkbox. File a Form 1094-C (**Do not** mark the CORRECTED checkbox on Form 1094-C) with corrected Form(s) 1095-C.

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company’s needs. This document should be reviewed by your legal counsel or tax consultant before use.

EXPERT UPDATE



EXPECT AN EXPERT

Furnish the employee a copy of the corrected Form 1095-C, unless the ALE Member was and continues to be eligible for and used the alternative method of furnishing under the Qualifying Offer Method for that employee for that year's furnishing.

Note- Enter an "X" in the CORRECTED checkbox only when correcting a Form 1095-C previously filed with the IRS. If you are correcting a Form 1095-C that was previously furnished to a recipient, but not filed with the IRS, write, type, or print CORRECTED on the new Form 1095-C furnished to the recipient.

Reporting Penalties

It is critical that employers produce correct 2016 forms and file the information timely to the IRS. All employers subject to the reporting requirements that fail to comply may be subject to the general reporting penalty provisions. Failure to furnish and file correct forms could expose the employer to the following:

- The penalty for failure to file a correct information return is \$260 for each return for which the failure occurs, with the total penalty for a calendar year not to exceed \$3,193,000.
- The penalty for failure to provide a correct payee statement is \$260 for each statement for which the failure occurs, with the total penalty for a calendar year not to exceed \$3,193,000.
- Special rules apply that increase the per-statement and total penalties if there is intentional disregard of the requirement to file the returns and furnish the required statements.

Penalties may be waived if the failure was due to reasonable cause and not willful neglect.

Please note that the information contained in this document is designed to provide authoritative and accurate information, in regard to the subject matter covered. However, it is not provided as legal or tax advice and no representation is made as to the sufficiency for your specific company's needs. This document should be reviewed by your legal counsel or tax consultant before use.