

# bailey benefit news

This update is sent periodically to keep you informed of employee benefit plan issues that may impact your organization.



**This Bailey Benefit News is intended to provide you with additional details regarding the upcoming employer reporting requirements.**

## **Background**

The new reporting will be used by the IRS to determine whether an individual is eligible for a premium subsidy or subject to the individual tax penalty for not having medical coverage. In addition, the IRS will utilize the reporting information to determine whether an applicable large employer (ALE) is subject to a shared responsibility payment. As a reminder, an ALE is one who employed 50 or more full-time or full-time equivalent employees in the previous calendar year.

## **There are two reporting requirements.**

All ALEs must report under Code Section 6056. Self-funded employers must also report under Code Section 6055. The information required to be reported will likely entail pulling information that is often housed in different systems. Many payroll and HRIS systems do not capture and retain the hours worked by an employee or their health coverage by month. If this data is not captured and preserved, your company may lose the ability to defend itself in the event of a discrepancy regarding a shared responsibility penalty.

## **Section 6055 Reporting**

Under tax code Section 6055, either the self-funded employer (regardless of the number of employees) or the insurance company (if the plan is fully-insured) must report which members had minimum essential coverage at any time during each calendar month during a year. If a member (which includes employees, spouses and dependents) had coverage at least *one day* in a calendar month, the member would be able to avoid the individual penalty. Because the coverage information must be reported on a member basis, you must have each covered individual's Social Security Number (SSN). Therefore, if your plan is self-funded, you should begin requesting dependent SSNs at an employee's initial or open enrollment with a second follow-up sent to those members that did not provide their SSN the first time. If you do not receive this information and followed the above steps, you are permitted to report their date of birth.

## **Section 6056 Reporting**

The information reported under Section 6056 provides the IRS the data needed to determine if an employee was offered minimum essential coverage and if it met both the “affordable” and “minimum value” requirements. ALEs must file the required 6056 form and furnish a copy to each full-time employee.

The government released General and Simplified Reporting Methods for ALEs under Section 6056. General Reporting Method Required Information includes:

- name, address and EIN of the reporting ALE and the calendar year for which the information is being reported;
- reporting contact’s name, address and telephone number for the ALE;
- certification as to whether the ALE offered its full-time employees and their dependents the opportunity to enroll in coverage constituting minimum essential coverage by each calendar month;
- the number of full-time employees for each calendar month;
- for each full-time employee, the months during the calendar year for which minimum essential coverage was made available;
- for each full-time employee, their share of the lowest single cost monthly premium providing minimum value that was offered to such full-time employees under the plan; and
- name, address and TIN of each full-time employee during the calendar year and the months, if any, during which the employee was covered under an eligible sponsored plan.

In addition to the above, additional information will be reported via the use of codes. The additional information via the use of codes including:

- whether the coverage offered to full-time employees and their dependents provides minimum value and whether the employee’s spouse was offered coverage;
- the total number of employees for each calendar month;
- whether the employee’s effective date of coverage was affected by a permissible waiting period by calendar month;
- whether the ALE had no employees or credited hours of service to any employee during the calendar month;
- whether the ALE is a member of a controlled group and if it is a member, the name and EIN of each employer member;
- if the ALE is a contributing member to a multiemployer plan, whether the employer is not subject to an assessable penalty due to the employer’s contributions to a multiemployer plan;
- if an ALE appropriately designated person is reporting on behalf of an ALE member, then their name, address and identification number; and
- if a third party reports for an ALE with respect to providing the information, their name, address and identification number.

There are two **Simplified Reporting Methods** under Section 6056 if the ALE meets specific requirements.

The first is a **Certification of Qualifying Offers**. Under this method, the qualifying ALE certifies it offered minimum value coverage to all of its full-time employees, their spouses and dependents with the cost of employee only coverage not exceeding 9.5% of the federal poverty level. With this reporting comes simplified statements that can be provided to full-time employees who received an offer of coverage for all of the 12 calendar months.

The second method, **Minimum Value Coverage Offered To At Least 98% of all Employees** is available to employers that offer minimum essential coverage providing minimum value that was affordable based on the safe harbor rule to at least 98% of their employees (and their dependents). If the employer meets this requirement, it may provide section 6056 reporting with respect to all employees instead of specifying whether a particular employee offered coverage is a full-time employee.

### **Filing Information**

Form 1095-C (or a substitute form) will be used by self-insured employers to meet both the employer responsibility and the minimum essential coverage reporting requirements. An ALE that provides insured coverage will report on Form 1095-C, but will only complete the employer section.

Form 1095-C, <http://www.irs.gov/pub/irs-dft/f1095c--dft.pdf>

Employers who are not subject to the employer shared responsibility requirement, health insurance companies and self-insured multiemployer plans will report on Form 1095-B.

Form 1095-B, <http://www.irs.gov/pub/irs-dft/f1095b--dft.pdf>

Filers will be required to submit a single form 1094-B and a single Form 1095-C as a “transmittal form” to the IRS with the Forms 1095-B and 1095-C respectively:

Form 1094-B, <http://www.irs.gov/pub/irs-dft/f1094b--dft.pdf>

Form 1094-C, <http://www.irs.gov/pub/irs-dft/f1094c--dft.pdf>

[The forms are filed with the IRS, either by paper or electronically. However, if you file more than 250 returns, you must file electronically. Forms are also required to be provided to full-time employees. In order to provide the form to full-time employees electronically, the employee must actually consent to receive the form electronically. If the form is mailed, you may send it to the employee’s last known address, via first class mail.](#)

The individual form is required to be furnished to the employee by January 31. The forms to the IRS are required by February 28<sup>th</sup>. If you file electronically, then the filing is delayed until March 31<sup>st</sup>. The information pertains to the previous calendar year so 2015 reporting information is due in 2016. An IRS penalty will not be imposed as long as a good faith effort was made to comply with Section 6056 reporting, however, penalty relief will not be available if the ALE fails to file.

### **Action Items:**

- Begin working with your payroll and HRIS vendor to determine if they will be aiding you in reporting and storing of the reporting information.
- Determine whether you have been capturing dependent tax identification numbers. If not, have your third party administrator run a report which you can import into your system.
- Implement a policy for capturing dependent SSNs. The first attempt would be at time of enrollment with the