

# Legislative Brief

## HCR - ACA Reporting under Section 6056

June 2015

### IRS ISSUES NEW Q&As ON IRC SECTION 6056 REPORTING

#### SUMMARY:

- IRS issued new Q&As that provide additional details on using Form 1094-C and Form 1095-C by clarifying existing requirements, including issues related to:
  - Using alternative methods of reporting
  - Reporting offers of COBRA coverage

The Affordable Care Act (ACA) created new reporting requirements under Internal Revenue Code (Code) Section 6056. These new reporting rules require applicable large employers (“ALEs”) subject to the ACA’s employer shared responsibility rules to report information to the Internal Revenue Service (IRS) on the health coverage offered to full-time employees. Related statements must also be provided to individuals.

On May 20, 2015, the IRS released new [Questions and Answers](#) (Q&As) on Section 6056 reporting using Form 1094-C and Form 1095-C. These Q&As supplement a separate set of [Q&As](#) on Section 6056 reporting that were issued on Aug. 29, 2014, which were updated at the same time the new Q&As were released. The new and updated Q&As clarify existing requirements under Section 6056, and provide additional guidance on specific aspects of reporting that had not been addressed previously.

#### Overview of Section 6056 Reporting

Under Section 6056, ALEs are required to file information returns with the IRS and provide statements to their full-time employees about the health insurance coverage the employer offered. Information reporting under Section 6056 is voluntary for calendar year 2014. Reporting is first required in early 2016 for calendar year 2015.

This additional reporting is intended to promote transparency with respect to health plan coverage and costs. It will also provide the government with information to administer the ACA’s employer shared responsibility rules and premium tax credits.

The employer shared responsibility rules impose penalties on ALEs that do not offer affordable, minimum value coverage to their full-time employees and dependents. **The ACA’s employer penalty provisions apply to many ALEs, effective Jan. 1, 2015.**

Under Section 6056, each ALE must generally file these items with the IRS:

- A separate [Form 1095-C](#) for each of its full-time employees; and
- A transmittal on [Form 1094-C](#) for all of the returns filed for a given calendar year.

These forms must be filed regardless of whether the ALE offers coverage, or whether the employee enrolls in any coverage offered.

The IRS has provided [instructions](#) for completing and filing Forms 1094-C and 1095-C. A copy of the Form 1095-C will generally be provided to each full-time employee.

### Q&As on Using Form 1094-C and Form 1095-C

The Q&As help employers complete and file Form 1094-C and Form 1095-C, as required under Section 6056. These Q&As clarify existing requirements under Section 6056, and provide additional guidance on specific aspects of reporting that had not been addressed previously. For example, the Q&As address specific issues related to:

- **Employees for Whom an ALE Member Must File Form 1095-C.** Generally an ALE member must file a Form 1095-C (or substitute form) for each employee who was a full-time employee of the ALE member for any month of the calendar year.
  - **Exceptions:** A Form 1095-C is not required for the following employees (unless the employee or the employee's family member was enrolled in a self-insured plan sponsored by an ALE member):
    - An employee who was not a full-time employee in any month of the year; or
    - An employee who was in a limited non-assessment period for all 12 months of the year (e.g., a new variable hour employee still in an initial measurement period or a new employee in a waiting period).

In addition, an ALE member must file a Form 1095-C (or substitute form) for each employee who enrolls in the self-insured health coverage or enrolls a family member in the coverage, regardless of whether the employee is a full-time employee for any month of the calendar year.

- **Reporting Offers of Coverage and Other Enrollment Information.** The Q&As address specific employment situations and explain how employers should report in those situations. The Q&As highlight the specific Offer of Coverage and Safe Harbor codes that should be used in these situations, as well as how to complete the various parts of Forms 1094-C and 1095-C. In addition, the Q&As address certain issues when reporting information for new hires and terminated employees.
- **Reporting Offers of COBRA Coverage.** Notably, the Q&As provide clarification and examples for reporting offers of COBRA coverage in a number of situations. Previously, the IRS had not issued much guidance with respect to reporting for COBRA coverage, which left many of these issues largely unclear. The Q&As address reporting COBRA coverage both for terminated employees and for ongoing employees who experience a reduction in hours.
- **The Authoritative Transmittal.** The Q&As provide more detailed information on the Authoritative Transmittal. In general, each ALE must file a single Authoritative Transmittal Form 1094-C containing the aggregate employer-level data for the ALE (meaning the total number of full-time employees and the total number of employees of the ALE for each calendar month, regardless of whether a Form 1095-C is transmitted with that Form 1094-C).
- **Alternative Methods of Reporting.** The Q&As address reporting under the Qualifying Offer Method (including the Transition Relief for 2015) and the 98 Percent Offer Method. These alternative methods of reporting allow eligible ALEs to provide less detailed information than under the general method of reporting.
- **Reporting for Governmental Units.** The Q&As clarify Section 6056 reporting for Governmental Units that are using a Designated Government Entity (DGE) to report on their behalf. A governmental unit may report under Section 6056 on its own behalf or may appropriately designate another person or persons to report on its behalf. A person may be appropriately designated to file the return and furnish the statements under Section 6056 on behalf of the ALE if the person is part of or related to the same governmental unit as the ALE.

Please contact your Client Executive at Kapnick Insurance Group for more information on Section 6056 reporting.

The health care reform law—the Affordable Care Act (ACA)—has many complex requirements for employers and health plans. Please contact Kapnick Insurance Group with any questions about how you can prepare for any of the health care reform requirements. This Kapnick Insurance Group Update is not intended to be exhaustive nor should any discussion or opinions be construed as legal or tax advice. The information contained in this communication is intended to provide general information regarding health care reform and related topics, and is based on general information available at the time it was prepared. Readers should contact their tax and/or legal counsel for advice that is appropriate to their specific circumstances. This information cannot be used by any taxpayer to avoid tax penalties.

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