Speakers

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Polling Question #1

• What part of your organization do you work with?
  – Payroll
  – Controller
  – Tax
  – Finance
  – Other
Agenda

- Affordable Care Act – where do we stand
- Overview of ACA coverage provisions
- Employer mandate excise tax
- Information reporting – technical rules
- Information reporting – practical considerations
- Summary
- Q&A
Affordable Care Act - Update
Where we are now

The inaugural open enrollment period in the ACA’s health insurance Exchanges ended 31 March 2014

With the release of the final regulations on employer mandate and information reporting, all regulatory guidance to carry out the employer mandate is in place

Enforcement begins 1 January 2015
Overview – ACA coverage provisions
Affordable Care Act (ACA) – Coverage elements

► Individual mandate
  - In 2014, all Americans, with some exceptions, must maintain a minimum level of health coverage or pay a tax when they file their 1040s

► Health care insurance Exchanges and premium tax credit (PTCs)
  - Health care insurance Exchanges are available and PTCs assist eligible individuals with the purchase of coverage

► Medicaid expansion
  - States may choose to expand Medicaid for individuals up to 138% of federal poverty level

► Employer mandate
  - Requires large employers to either offer coverage to full-time employees (and their dependents) or pay excise tax if any full-time employee obtains Exchange coverage with a PTC
  - Delayed until 2015
Overview: ACA information reporting provisions

**§ 6051**

- **Purpose:** Provide employees with information on cost of employer-provided coverage
- **Reporting by:** Employers filing 250 Forms W-2 or more
- **Information reported:** Aggregate cost of employer-provided group health plan for each covered employee

**Due 31 January each year**

**§ 6055**

- **Purpose:** Provide individuals and IRS with information to administer individual mandate
- **Reporting by:** Insurance providers, government agencies, multiemployer plans or employers that sponsor self-insured plans
- **Information reported:**
  - Employer- and employee-specific data for individuals covered by MEC
  - Months during which individual is covered

**First due: 31 January 2016**

**§ 6056**

- **Purpose:** Provide IRS with information to administer employer mandate and IRS and individuals information to administer premium tax credit
- **Reporting by:** Large employers subject to ACA
- **Information reported:**
  - Employer identifying information
  - Identifying information for all full-time employees
  - Plan data month-by-month

**First due: 31 January 2016**

- **Due 31 January each year**

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*Due, First due: 31 January 2016*
What is your company’s top concern with respect to implementing the ACA?

- System design: 15%
- Reporting: 12%
- Exposure to the excise tax: 12%
- Financial statement considerations: 12%
- Not concerned: 45%
What are your biggest concerns about information reporting?

- Collecting Social Security numbers for all dependents: 41%
- Configuring systems to collect necessary data: 34%
- Cost of compliance: 12%
- Ability to comply in time: 13%
Employer mandate excise tax implications for employers and information reporting
**Section 4980H: employer mandate excise tax**

Employers who do not offer coverage may subtract the first 30 (80 in 2015) workers when calculating their liability for taxes under IRC §4980H(a). Taxes under IRC §4980H(b) are capped at an amount not to exceed an employer’s potential tax under IRC §4980H(a).

<table>
<thead>
<tr>
<th>Penalty for no coverage – IRC §4980H(a)</th>
<th>Penalty for unaffordable coverage – IRC §4980H(b)</th>
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</table>
| ► If a large employer does not offer coverage to its full-time employees and their dependents, employers face a tax of:  
  • $2,000 x the total number of Full-Time Employees (FT) if at least one FT is receiving a premium assistance tax credit  
  ► Minimum of 95% (70% for 2015) of FT employees offered coverage constitutes offer to its employees | ► If a large employer offers coverage to their full-time employees and their dependents but the coverage is unaffordable to certain employees or does not provide minimum value, employers face a penalty of:  
  • The lesser of $3,000 x the number of FTs receiving a premium assistance tax credit or $2,000 x the total number of FTs |

Employers who do not offer coverage may subtract the first 30 (80 in 2015) workers when calculating their liability for taxes under IRC §4980H(a). Taxes under IRC §4980H(b) are capped at an amount not to exceed an employer’s potential tax under IRC §4980H(a).
Who is a full-time employee?

- **Full-time employee:** Defined as an employee who works on average 30 hours per week, per month or 130 hours of service per calendar month

- **Hours of service:** Each hour for which an employee is paid or entitled to payment; equivalency rules available for nonhourly employees

- **General rule:** Employees who are classified or determined to be full time on date of hire must be offered coverage by the first day of the fourth month following date of hire
  - Requires coordination with a separate ACA rule prohibiting waiting periods of more than 90 days

- **Lookback/measurement methods:** Available for newly hired part-time, seasonal, and variable hour employees to determine when they are treated as full-time employees
When is coverage affordable?

- **Affordability general rule:** Employee’s premium share for self-only coverage providing minimum value cannot exceed 9.5% of employee’s “household income”

- **Safe harbors**
  - W-2 wages
  - Rate of pay
  - Federal poverty line

- **Complexities**
  - Use of different safe harbors for employee categories
  - Reductions in rate of pay
  - Change in employee status
How is the excise tax assessed?

• Penalties are assessed separately on each employer (each member of a controlled group)

• Non-assessment period – no penalty for first three full months after date of hire

• 2015 transition rules
  – Relief from Section 4980H(a) if offer to at least 70% of full-time employees; permanent rule is 95%
  – Non-calendar year plans
Polling Question #2

• How familiar are you with the ACA employer mandate and reporting rules?
  – Very familiar; implementation underway
  – Familiar; beginning to consider implementation
  – Somewhat familiar
  – Not familiar
Information reporting - Technical rules
# Sections 6055 and 6056: Information Reporting Rules

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<td><strong>Purpose</strong></td>
<td>Provide report to individuals and IRS with evidence of minimum essential coverage to administer individual mandate</td>
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<td>Insurance providers, government agencies, multiemployer plans, employers that sponsor self-insured plans</td>
<td>Large employers subject to ACA</td>
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| **Information reported**| - Employer- and employee-specific data such as name, address, TIN for individuals covered by Minimum Essential Coverage  
   - Each month during which individual is covered                                                                                              | - Employer identifying information  
   - Identifying information for all full-time employees  
   - Plan data including employee cost, time offered, etc on a month-by-month basis                                                            |
| **Due dates**           | - 31 January reports to employees  
   - 31 March report to IRS                                                                                                                       | - 31 January reports to employees  
   - 31 March report to IRS                                                                                                                       |
| **Form**                | New Form 1095-C (combined 6055/6056 reporting)                                                                                                                                                              | New Form 1095-C (combined 6055/6056 reporting)                                                                                                                                                              |
• Information to be reported under IRC §6055:
  – The name and tax payer identification number (TIN) of each individual enrolled
  – The name and address of the primary insured who submits the application for coverage
  – Months during which the individual is enrolled in minimum essential coverage

• For coverage offered in 2015, information returns must be provided to individuals by 1 February 2016, and to the IRS by 31 March 2016

• Reporting via Form 1095-C employee statement and Form 1094-C employer transmittal (6055/6056 combined)
Complexities of Section 6055 reporting

• **Taxpayer Identification Numbers (TINs):** Must report TIN of the primary insured and each individual covered under the policy and the months that the individuals were covered
  – Birth date of dependent may be reported if employer made a “reasonable effort” to obtain the TIN
  – Three efforts must be made to obtain the TIN to avoid filing penalties

• **Electronic filing permitted**
  – Employee consent and other requirements apply

• **Reports filed by employing entity for self-funded plans**
  – Third party may be designated to file on behalf of the employer
Section 6056 general rules

• General reporting method:
  – Number of full-time employees, by month
  – For each full-time employee, months when coverage was available
  – For each full-time employee, the employee’s share of the lowest-cost monthly premium for self-only coverage
  – Additional information, some by indicator code

• For coverage offered in 2015, information returns must be provided to individuals by 1 February 2016, and to the IRS by 31 March 2016

• Reporting via Form 1095-C employee statement and Form 1094-C employer transmittal (6055/6056 combined)
Section 6056 alternative reporting methods

• **Qualifying offer:** Employer reports only employee’s name, TIN, address, and indication that qualifying offer was made for the full year respect to any full-time employees for whom the employer certifies:
  – Full-time employee had offer of self-only coverage that meets minimum value and costs no more than 9.5% of the federal poverty line (approximately $92 per month for 2015) for all 12 months
  – Offer of minimum essential coverage was made to the employee’s spouse and dependents

• **No separate identification of full-time employees:** Employer may report without separately identifying its full-time employees if it certifies:
  – 98% of employees for whom employer reports received an offer of affordable coverage (safe harbors apply) that meets minimum value
Section 6055 and 6056 reporting penalties

• Application of penalties
  – $100 per return, capped at $1.5 million for each of section 6055 and section 6056 reporting
  – Reasonable cause waiver available
  – Good faith compliance in 2015 for accuracy penalty
Polling Question #3

• What is your biggest concern about information reporting?
  – Configuring systems to collect necessary data
  – Ability to comply on time
  – Identifying where to obtain the information
  – Identifying the resources to work with to complete the process
Information reporting - Practical considerations
Systems considerations

Where is the data?

- Time and attendance
- Payroll
- Consolidated data
- Labor scheduling
- Contingent worker database
- Employee master data
- Benefits administration

Outsourced providers

§6051
§6055
§6056
Monthly information to capture

- Section 6056 - for each full-time employee:
  - Was minimum essential coverage providing minimum value offered:
    - To the employee only
    - To the employee’s spouse
    - To the employee’s dependents
  - Employee’s share of lowest-cost monthly premium for self-only coverage providing minimum value
  - Was an employee’s effective date of coverage affected by a waiting period
  - Whether employer met one of the affordability safe harbors

- Section 6055 - name, address, and tax identification number for the primary insured and each dependent enrolled in minimum essential coverage

- Months during which the individual is treated as having minimum essential coverage (in place of dates of coverage)
Compliance challenges and considerations

• Reporting by each entity within a controlled group

• Section 6056 - Employer must decide whether to identify full-time employees on
  – The monthly method using the “weekly rule,” or
  – The lookback method and, if so, what lookback period
  – Actual hours of service must be counted and recorded

• Section 6056 – Is alternative reporting available

• Information regarding terminated employees must be stored and readily available in case of rehires
### Need for cross-functional teaming

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Summary
Questions & Answers
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If you have any questions on comments on today’s session, please contact:

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