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ACA Reporting Basics

Under the ACA, there are two sets of annual information reports that must be filed: 1094-B/1095-B or 1094-C/1095-C. These information reports are issued to employees and filed with the IRS similar to the Forms W-3 and W-2 reporting system. Which set of reports is required depends on the number of employees and the type of health plan provided.

Employee Count

First, employers should calculate their average number of employees in the *prior* calendar year to determine whether they are an applicable large employer (ALE) for the current filing year. (For example, the 2015 employee count will determine ALE status in 2016.)

Employers averaging 50 or more full-time and full-time equivalent employees are considered ALE's. Full-time is defined as any employee working 30 or more hours per week. A full-time equivalent employee is a combination of part-time employees who, in aggregate, are equivalent to a full-time employee.

When calculating this figure, both union and non-union employees should be included. Similarly, all employees of a controlled group (i.e. entities with common ownership) are factored in to a total member calculation.

Types of Health Plan Provided

There are two types of health plans – self-funded and fully insured. A self-funded plan pays claims directly to health care providers from a trust or the general assets of the employer. A fully insured plan pays premiums to buy health coverage from a health insurance company. ACA reporting requirements for both large and small employers depend on which plan they currently provide to employees.

Self-Insured Plans

All employers sponsoring self-insured plans must report on the monthly minimum essential coverage (MEC) provided to plan participants by filing annual Forms 1094-B and 1095-B. This reporting requirement applies to *all* employers who offer self-insured coverage, regardless of size.

Fully Funded Plans

Applicable large employers who provide fully funded plans to their employees must file annual Forms 1094-C and 1095-C to demonstrate compliance with the employer shared responsibility (ESR) rules of the ACA. (Noncompliance will result in additional taxes owed.) Each employee is issued a Form 1095-C, and one Form 1094-C is filed per employer

identification number (EIN). Thus, a separate Form 1094-C will be filed for each member of a controlled group that has an EIN.

Large employers are responsible for this ESR reporting. The multi-employer plan relief was extended for 2016. This means that qualifying employers, such as those with union employees, are eligible for simplified reporting for these types of employees. Such employers do not have to obtain eligibility and offer of coverage information for those employees covered under a multi-employer plan. The normal reporting requirements still apply to the employer's other "non-union" employees.

Small employers (fewer than 50 FTE's) offering fully funded plans are not required to file Forms 1094-C and 1095-C. Rather the health insurance companies are required to report individual participant coverage of fully insured plans to the IRS.

IRS Publications 5215, 5196 and 5200, as well as the Instructions for Forms 1095-B and 1095-C, provide additional information to aid in the ACA reporting process. For further clarification, please contact your Sax advisor or Gina Perrone at gperrone@saxllp.com.