



ACA Reporting in 2016 - Is Your Organization Prepared?

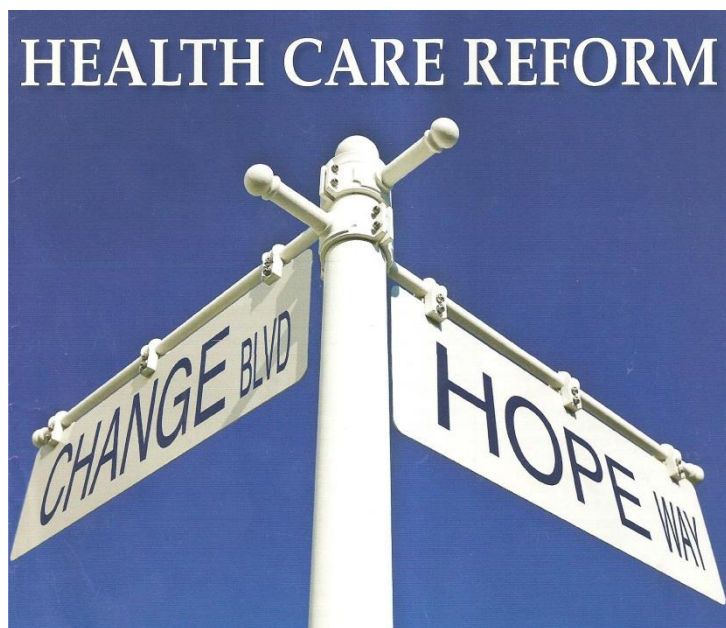
Maryland GFOA Fall Conference
October 23, 2015

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Learning Objectives

At the end of this session, you will be able to:



- ✓ Describe the new regulatory reporting requirements for employers under the Affordable Care Act and employers and church plans are impacted;
- ✓ Identify what applicable employers need to do to prepare for compliance;
- ✓ Update on health care tax credit – you still have time to file!



Internal Revenue Codes

- IRC §6055: Minimum Essential Coverage
 - Who: Intended to notify the IRS of **everyone** that has at least minimum essential coverage, by month during the calendar year.
 - Why: Triggers penalties on individual tax returns.
- IRC §6056: Health Insurance Coverage Offered
 - Who: If the entity is defined as an Applicable Large Employer (ALE) it will notify the IRS of every **employee** eligible to receive an offer of coverage and the cost to the employee for minimum essential coverage by month.
 - Why: Will trigger penalties to ALE's and supports exchange subsidies.



Information Reporting Basics

- Effective Dates
 - January 2016: Statements to individuals
 - February/March 2016: Filings to IRS
- Applicability
 - Applicable Large Employer (ALE)
 - Plan Sponsors / Employers of Self-Insured Coverage
 - Health Insurers (Insurance Companies)



Employer Reporting

What it is:

- Means for IRS to determine §4980H Employer Shared Responsibility Penalties
- Means to determine employee's eligibility for premium tax credit
- Important document for employee's personal tax return

What it is *not*:

- Simple
 - Multiple data sources
 - ◇ HR
 - ◇ Payroll
 - ◇ Benefits
 - Complex regulations with many rules & exceptions
- Unimportant
 - Penalties for incorrect filings
 - Penalties for employer mandate based on filings

IRS Provided Resources



Affordable Care Act Resources

Topic	Details	Source
ACA Tax Law	IRS ACA Homepage	irs.gov/aca
	6056 Information Reporting Overview	http://www.irs.gov/Affordable-Care-Act/Employers/Information-Reporting-by-Applicable-Large-Employers
	6056 Information Reporting Q&As	http://www.irs.gov/Affordable-Care-Act/Employers/Questions-and-Answers-on-Reporting-of-Offers-of-Health-Insurance-Coverage-by-Employers-Section-6056
	Legal Guidance and Other Resources	irs.gov/Affordable-Care-Act/Affordable-Care-Act-of-2010-News-Releases-Multimedia-and-Legal-Guidance
Final Regulations	6056 Final Regulations	http://www.gpo.gov/fdsys/pkg/FR-2014-03-10/pdf/2014-05050.pdf
Forms and Instructions	Form 1094-C	http://www.irs.gov/pub/irs-pdf/f1094c.pdf
	Form 1095-C	http://www.irs.gov/pub/irs-pdf/f1095c.pdf
	Instructions 1094-C & 1095-C	www.irs.gov/pub/irs-pdf/i109495c.pdf
Other Health Care Information	HHS	HealthCare.gov
	SBA	SBA.gov/healthcare
	DOL	DOL.gov/ebsa/healthreform

From IRS Webcast on August 11, 2015.





Reporting Requirements Under ACA

Purpose of Employer-Section 6056 Reporting

- Determine which full-time employees, if any, were offered coverage
- Reconciled with individual reporting to confirm eligibility for Exchange subsidies.
- Confirm that coverage offered was minimum essential coverage and minimum value
- Confirm that coverage was affordable for employee
- If these tests aren't met, determine employer penalty.



Penalties for Noncompliance

- Information Reporting Penalties
 - Failure to furnish statement to individual: \$250 per statement (\$3M max per year)
 - Failure to file return with IRS: \$250 per return (\$3M max per year)
 - Good faith effort exception for 2015
- §4980H Employer Mandate Penalties
 - Calculated based on information reporting
 - \$2,000 penalty for failing to offer minimum essential coverage to at least 70% in 2015 (95% in 2016) of full-time
 - \$3,000 penalty for failing to provide minimum value or failing to provide affordable coverage



Applicability: Determining if Employer is ALE

- Why is ALE status important?
 - Employer Shared Responsibility Provisions
 - Employer Information Reporting
- How to determine ALE status?
 - Based on average size of workforce during the prior year.
 - Full-Time employees (FT) + Full-Time Equivalents (FTE) \geq 50.
 - Determined by adding the number of FT + FTE for each month of prior calendar year and dividing by 12.
- Who is a full-time employee?
 - An employee who averages at least 30 hours per week or at least 130 hours during the calendar month.
- How to count full-time equivalents?
 - Combine hours of service for all non-full-time employees (limiting hours to 120 per employee)
 - Divide the total by 120



ALE Status Continued - Examples

- Facts:
 - 40 full-time employees Jan-Nov; 45 in Dec
 - 15 part-time employees each with 60 hours per month
- Calculation:
 - Full-Time Equivalents
 - ◇ Combined hours per month = 900
 - ◇ Divided by 120 = 7.5 FTEs
 - Average by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
FT	40	40	40	40	40	40	40	40	40	40	40	45	
FTE	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	
	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	52.5	47.9



ALE Status Continued - Other Situations

- Employer Aggregation Rules
 - Controlled Groups and Affiliated Service Groups
 - Based on Internal Revenue Code Section 414
 - Government & Church rules – “Good faith reasonable interpretation of section 414”
- Seasonal Workers
 - Employer not considered to be ALE if both of the following apply:
 - ◇ Workforce exceeds 50 for 120 days or fewer during calendar year
 - ◇ Employees in excess of 50 are seasonal workers
 - Applies to employees who perform labor or services on a **seasonal basis**.
- 2015 Transition Rule
 - Allowed to use any consecutive six-month period during 2014 to determine 2015 ALE status



Common Reporting Questions

- What is minimum essential coverage?
 - In general, includes:
 - ◇ Health plans offered in individual market
 - ◇ Grandfathered health plans
 - ◇ Government-sponsored programs
 - ◇ Employer-sponsored plans
- What is minimum value coverage?
 - Plan covers at least 60% of expected costs and provides substantial coverage of inpatient hospitalization and physician services
 - HHS developed calculator



Common Reporting Questions

- What is affordable coverage?
 - Employee premium for **self-only minimum coverage** is not more than 9.5% of family's household income
 - Safe harbors:
 - ◇ W-2 safe harbor (must be used for full year): Based on W-2, Box 1
 - ◇ Federal poverty line (FPL) safe harbor: Based on FPL for household of one times 9.5%
 - ◇ Rate of pay safe harbor: Based on employee's rate of pay times 130 hours per month times 9.5%
 - Do you need to offer lower coverage options to meet this guideline?



Common Reporting Questions

- What is an hour of service?
 - Generally each hour for which an employee is paid, or entitled to payment, for the performance of duties, and each hour for which an employee is paid, or entitled to payment, for a period of time during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence.
 - Exceptions:
 - ◇ Volunteers meeting criteria
 - ◇ Federal Work-Study Program (or similar program of State or political subdivision)
 - ◇ Services outside of US
 - ◇ Individuals subject to vow of poverty in religious order
 - Special rules
 - ◇ Special unpaid leave (i.e. leave subject to FMLA or to the Uniformed Services Employment and Reemployment Rights Act of 1994)
 - ◇ Positions with nontraditional hours: Adjunct faculty, commissioned salespeople, airline employees, on-call hours

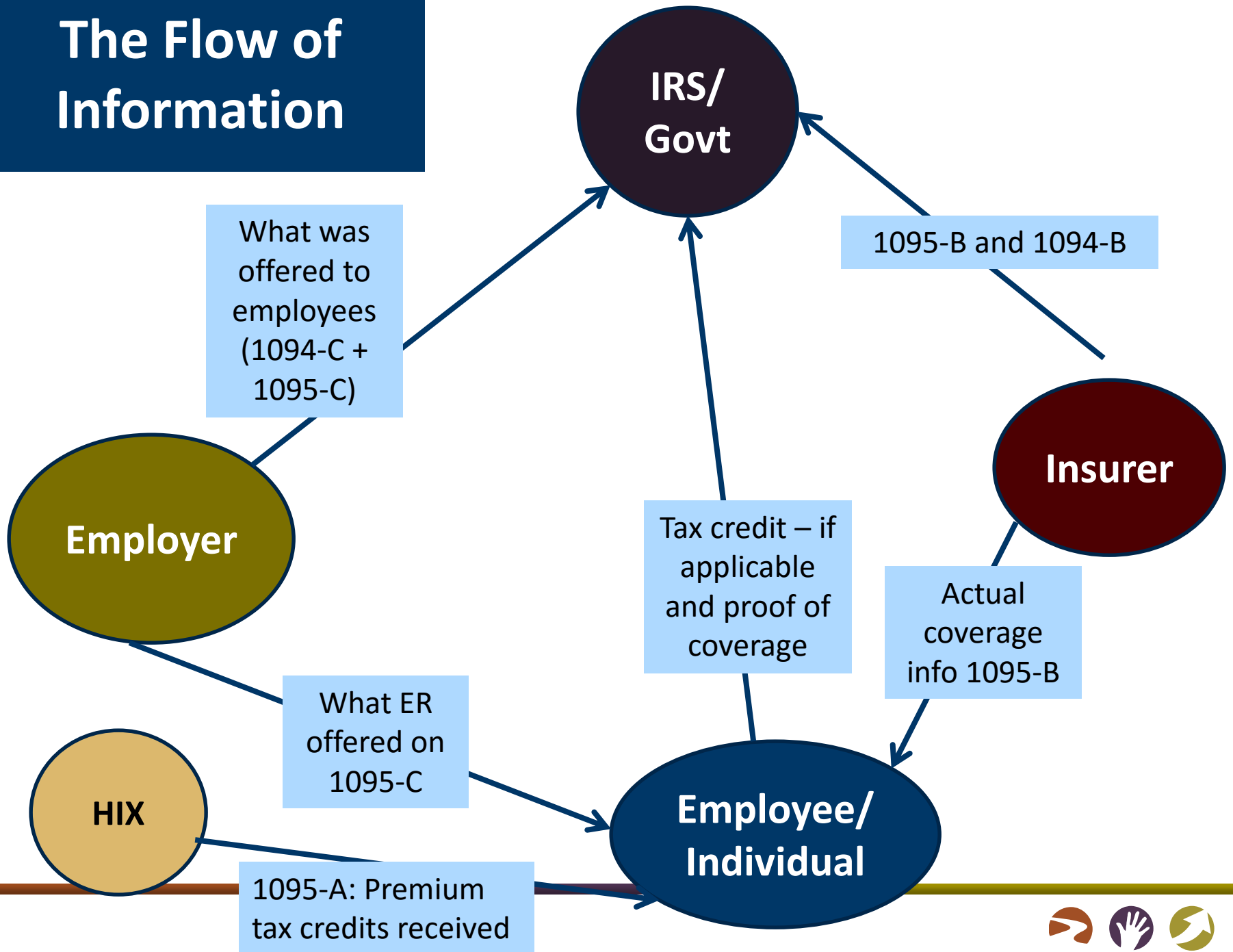


Common Reporting Questions

- Do I include employees participating in a multiemployer plan?
 - Yes, though there are special reporting codes that somewhat reduce the requirements of the employer.
- Do I include employees eligible for Medicare or Medicaid?
 - Yes.
- Do I include independent contractors and temps?
 - Depends. Subject to “common law” employer test.
- Are there special rules for Churches?
 - Yes & No, churches have some latitude to define if they have to be combined to form an ALE. But are not exempt from reporting requirements.
- How do Church Plans covering multiple churches report?
 - Depends on the specific situation but generally report as if they were an insurance company under section 6055 with each Church participant that qualifies as an ALE responsible for employer reporting under Section 6056



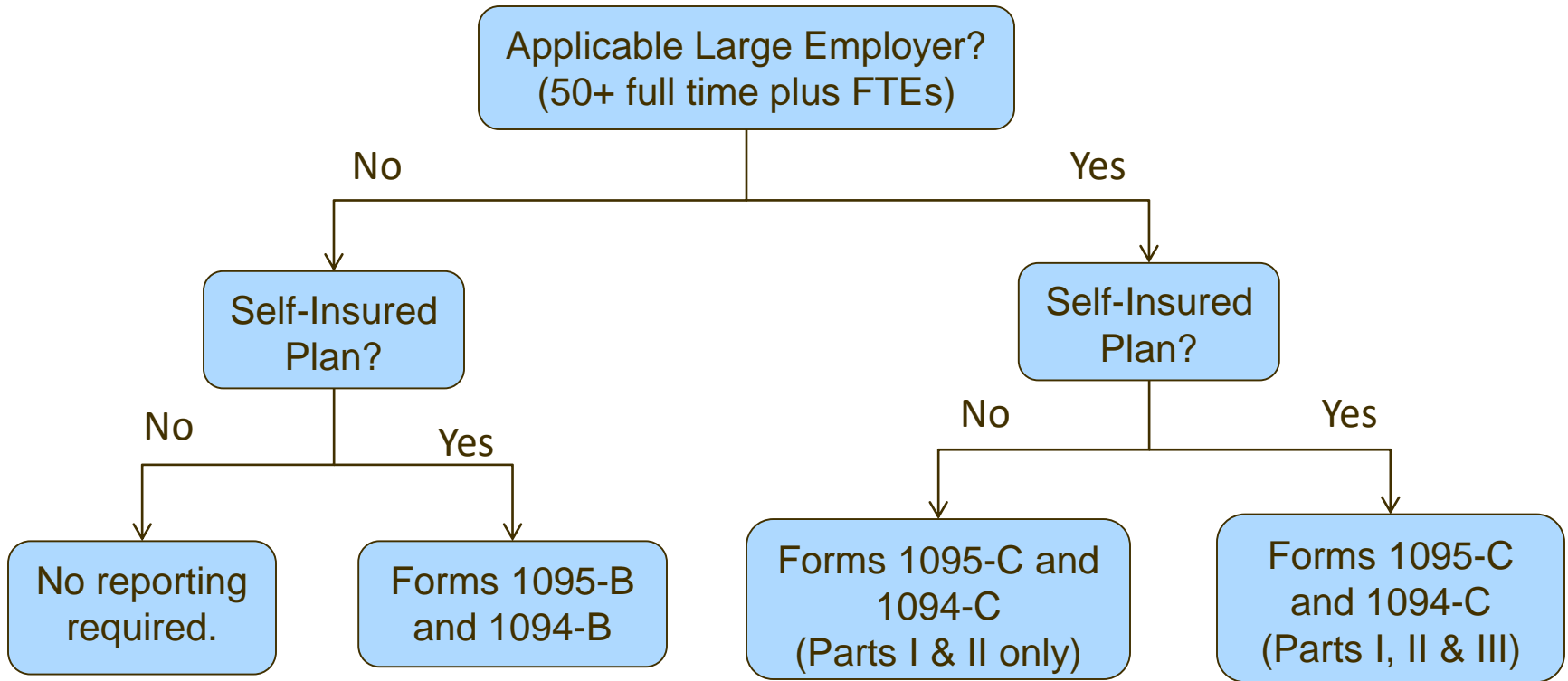
The Flow of Information





What Employers Need to Comply

Determining Which Forms to File as Employer



Reporting of Health Reimbursement Arrangements (HRA)

- Draft instructions (8/6/2015) for Form 1094/1095-B contain unpleasant addition:

Supplemental Coverage

Providers aren't required to report the following minimum essential coverage that is supplemental to other minimum essential coverage.

- ◇ Coverage that supplements a government-sponsored program, such as Medicare or TRICARE supplemental coverage.
- ◇ Coverage of an individual in more than one plan or program provided by the same plan sponsor (the plan sponsor is required to report only one type of minimum essential coverage)

Coverage isn't provided by the same plan sponsor if they aren't reported by the same reporting entity. **Thus, an insured group health plan and a self-insured health reimbursement arrangement covering the employees of the same employer aren't supplemental.**

- Consequence of having HRA under draft instructions:
 - Small employers with fully-insured plans are required to issue Form 1095-B
 - Large employers with fully-insured plans are required to complete Part III of Form 1095-C



Form **1094-C**

Department of the Treasury
Internal Revenue Service

Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

► Information about Form 1094-C and its separate instructions is at www.irs.gov/1094c.

CORRECTED

120115
OMB No. 1545-2251
2014

Part I Applicable Large Employer Member (ALE Member)

1 Name of ALE Member (Employer)		2 Employer identification number (EIN)	
3 Street address (including room or suite no.)			
4 City or town	5 State or province	6 Country and ZIP or foreign postal code	
7 Name of person to contact		8 Contact telephone number	
9 Name of Designated Government Entity (only if applicable)		10 Employer identification number (EIN)	
11 Street address (including room or suite no.)			
12 City or town	13 State or province	14 Country and ZIP or foreign postal code	
15 Name of person to contact		16 Contact telephone number	
17 Reserved <input type="checkbox"/>			

For Official Use Only



18 Total number of Forms 1095-C submitted with this transmittal

Part II ALE Member Information

19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member

21 Is ALE Member a member of an Aggregated ALE Group? Yes No

If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

- A. Qualifying Offer Method
 B. Qualifying Offer Method Transition Relief
 C. Section 4980H Transition Relief
 D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 61571A

Form **1094-C** (2014)



Part III ALE Member Information—Monthly

		(a) Minimum Essential Coverage Offer Indicator		(b) Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No				
23	All 12 Months	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
24	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25	Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
30	July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
31	Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
32	Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
33	Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
34	Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
35	Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	



Part IV Other ALE Members of Aggregated ALE Group

Enter the names and EINs of Other ALE Members of the Aggregated ALE Group (who were members at any time during the calendar year).

Name		EIN	Name		EIN
36			51		
37			52		
38			53		
39			54		
40			55		
41			56		
42			57		
43			58		
44			59		
45			60		
46			61		
47			62		
48			63		
49			64		
50			65		



Employer-Provided Health Insurance Offer and Coverage

► Information about Form 1095-C and its separate instructions is at www.irs.gov/1095c.

VOID
 CORRECTED

Part I Employee					Applicable Large Employer Member (Employer)						
1 Name of employee		2 Social security number (SSN)			7 Name of employer			8 Employer identification number (EIN)			
3 Street address (including apartment no.)					9 Street address (including room or suite no.)						
4 City or town		5 State or province		6 Country and ZIP or foreign postal code			11 City or town		12 State or province		13 Country and ZIP or foreign postal code

Part II Employee Offer and Coverage	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
	14 Offer of Coverage (enter required code)												
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

	(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
19				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
20				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
21				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
22				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 60705M

Form **1095-C** (2014)

Codes for Form 1095-C, Lines 14 & 16

Line 14: Offer of Coverage

- 1A. Qualifying offer
- 1B. Minimum essential coverage (MEC) providing minimum value offered to employee only.
- 1C. MEC providing minimum value offered to employee and at least MEC offered to dependent(s) (not spouse).
- 1C. MEC providing minimum value offered to employee and at least MEC offered to spouse (not dependent(s)).
- 1E. MEC providing minimum value offered to employee and at least MEC offered to dependent(s) and spouse.
- 1F. MEC not providing minimum value.
- 1G. Offer of coverage to employee who was not full-time and enrolled in self-insured coverage.
- 1H. No offer of coverage.
- 1I. Qualifying Offer Transition Relief 2015

Line 16: Safe Harbor

- 2A. Employee not employed during the month.
- 2B. Employee not a full-time employee.
- 2C. Employee enrolled in coverage offered.
- 2D. Employee in a §4980H(b) Limited Non-Assessment Period.
- 2E. Multiemployer interim rule relief.
- 2F. §4980H affordability Form W-2 safe harbor.
- 2G. §4980H affordability federal poverty line safe harbor.
- 2H. §4980H affordability rate of pay safe harbor.

*** Note some codes may apply simultaneously while others are mutually exclusive. IRS instructions provide further guidance.**





Health Care Tax Credit

Credit for Health Insurance Premiums for Small Organizations

- Refundable Credit = 25% of Health Insurance Premiums Paid in Fiscal Year (subject to State by State maximums)
- It's Complicated! The calculation is subject to many rules, regulations and limitations.
- *For years beginning in 2010:*
 - *Calendar years ending December 31, 2010*
 - *Fiscal years ending in 2011*



Credit for Health Insurance Premiums

- Tax credit for a percentage of employer-provided health insurance premiums paid during the tax year (IRC Sec. 45R)

<u>Tax Yr. Beginning</u>	<u>Tax Credit</u>
2010-2013	25%
2014-2015 *	35%

* only if you purchase through exchange or for a select number of counties in the US that don't have insurance offered through an exchange



Deadline for Filing

- Deadline is 3 years after the original due date of the 990T. For example:
 - Year end June 30, 2012 would be filed on the 2011 forms.
 - Would have originally been due November 15, 2012.
 - Plus 3 years give you until November 15, 2015 to file.
 - There are no penalties for late filing as the penalty is computed on the taxes due and this is only filed for a credit.

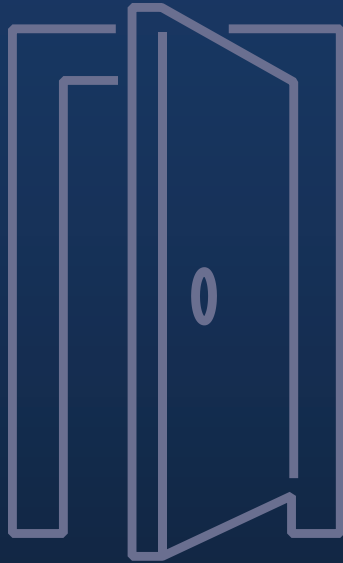


Why This Works for a Church?

- Churches generally have good benefits but low pay
- Self-insured Church plans are qualifying plans for purposes of the credit
- Ordained minister hours are included in the FTE calculation if they are a common law employee
- Ordained minister wages are not included in the average wage calculation
- Premiums paid for health care coverage for ministers are included for calculating the base credit



Questions?



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For more information on health reform: CLAconnect.com/healthreform

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