



# Affordable Care Act Reporting: What You Should Be Doing



# It's Never Too Early to Start Preparing for the Year-End IRS Reporting

In fact, employers should view ACA Reporting as an ongoing process on a monthly basis to:

- Ensure that all part-time and variable hour employees are being correctly measured per IRS regulations and
- Confirm that required offers of coverage aren't missed during the year to avoid the risk of being penalized.

That said, as you are starting the IRS 1095/1094 reporting process at the end of the tax year, you should ensure that all of the data is available to accurately complete these forms. The checklist in this document includes the necessary employee information to ensure reporting accuracy.



**Completed**

**Action Item**

**Comments**



<p>Demographic data for <b>all employees</b> is present and accounted for—employee type (full-time part-time, variable hour, seasonal), employment history (hire, rehire, and termination dates).</p>	<p>Data is needed for all employees that worked one or more days during a year, including those that are now terminated, employees for whom you pay into a Taft-Hartley plan (or other 3rd-party plans that qualify under the Multiemployer interim rule relief category), etc.</p> <p>It is important to have information for all employees as a total employee count (full-time and not full-time) is required for the 1094 forms.</p>
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<p>Employee addresses are up to date.</p>	<p>A missing or incorrect employee address can delay an employee’s receipt of their 1095 form and may require it to be furnished again.</p>
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<p>If your health plan is employer-sponsored self-insured, data for all covered individuals (e.g., dependents, spouses, retirees, and other non-employees) is included.</p>	<p>If you have a self-insured health plan, you will be required to report enrollments for your employees as well as dependents, spouses, and any other individuals who were covered by your plan.</p>
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<p>All employee <b>hours worked</b> are accurate and complete.</p>	<p>Having accurate hours for each month for all employees (full-time, part-time, seasonal, and variable hour employees) is crucial to determining their proper ACA status during their stability period, which determines whether they need to be offered coverage and receive a 1095 form to avoid the risk of a penalty.</p> <p>Tracking full-time employee hours is needed for situations such as a status change (e.g., full-time to part time). Status changes don’t necessarily mean coverage will be discontinued according to ACA regulations. It will also consider other factors, including the end date of the stability period.</p>
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All **unpaid special leaves of absence** and/or **educational breaks** are defined for employees.

Hours may need to be credited for special unpaid leaves as defined by the regulations. These include unpaid leaves for jury duty, military service, and family medical leave. Those hours need to be factored into ACA eligibility calculations. For educational institutions, educational breaks (time periods of more than 4 weeks in duration) also must be accounted for in crediting hours for employees.



**Offers of coverage** dates are complete and accurate.

An offer of coverage is what's required to be reported to the IRS. There is no requirement to report waivers or declined offers.

However, while enrollments are reported in Line 16 (typically as indicator code 2C), Safe Harbors are reported if a full-time individual does not enroll in the coverage offered. Therefore, make sure you have the data needed for both situations so you can accurately report on Line 16.



Data for Safe Harbor determination is accurate and complete.

**Form W2 Safe Harbor** – If you're using the W2 safe harbor, you'll need each employee's W2 Box 1 wages.

**Rate of Pay Safe Harbor** – If you're using this safe harbor, the regulations are more complex and are different for employees who are paid on an hourly basis than for employees who are paid a salary. Affordability for hourly employees is based on their hourly rate of pay; whereas affordability for salaried employees is based on their annual wage, not their salaried divided by 2,080 hours.

(NOTE: There are additional rules regarding the effective date of these rates, reductions in pay, increases in pay, etc.). Refer to the regulations for more information on this Safe Harbor.

**Federal Poverty Line (FPL) Safe Harbor** – If you are using the FPL Safe Harbor, note that employees who work in Hawaii or Alaska have a different Federal Poverty Line amount (the affordability % is the same, but the base amount is different).

For more information on the IRS safe harbors, visit <https://www.gpo.gov/fdsys/pkg/FR-2014-02-12/pdf/2014-03082.pdf> and reference section VIII beginning on page 8563.

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## Action Item

## Comments



**Legal names and EINs** are accurate for all entities that are reporting.

These elements are critical to avoiding errors when filing your data with the IRS. They also prevent having to deal with the corrections process. You can use your payroll tax reporting forms to verify that the EIN matches the legal name (this is a common error that results in an IRS rejection of the 1094 form).



**Medical Plan details**

You will need the employee share of employee-only coverage dollar amount, the type of coverage offered (MEC/MV, Continuation/COBRA), and to whom coverage was offered (dependents, spouse, spouse conditionally).



**Phone number** for the contact person(s) is accurate.

The 1095 forms require a contact phone number. This is the number that employees can use for any questions regarding their forms.

The 1094 forms also require a contact person and phone number for any questions that the IRS may have.

These contacts may be different numbers and/or individuals.





Having this information will minimize the time required to generate and finalize your 1094 and 1095 Forms, allowing you to focus on the numerous other tasks that demand your time and attention at the end of any given year.

For a successful ACA reporting process, use this checklist throughout the year as a monthly review to make sure you are offering coverage in a timely manner and to reduce the time required to gather data at the end of the year.



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**Disclaimer** The information provided within is for general informational purposes only. It does not necessarily address all of your specific questions or issues. It should not be construed as, nor is it intended to provide, legal advice. Questions regarding specific issues and application of these rules to your 1095-C reporting should be addressed by your legal counsel.