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HEALTH CARE REFORM

Eye on Washington

IRS RELEASES DRAFT FORMS FOR REPORTING OF HEALTH INSURANCE COVERAGE

On July 24, 2014, the Internal Revenue Service (IRS) released draft information returns which employers will use to report health insurance coverage offered under employer-sponsored plans in accordance with Section 6056 of the Internal Revenue Code (IRC).

Background

As background, under the Affordable Care Act (ACA), applicable large employers (ALEs) must file annual returns with the IRS to report the health care coverage offered to full-time employees and their dependents. An ALE is an employer that employed (combined with members of its controlled group) an average of at least 50 "full-time employees" (including "full-time equivalent employees") on business days during the preceding calendar year.

Form 1095-C will report the health care coverage offered to employees by an ALE. The first Forms 1095-C must be furnished to employees by January 31, 2016 (covering 2015), and must be filed with the IRS in accordance with existing deadlines for Forms W-2. Electronic filing is required if at least 250 forms are filed. Reports must include and identify each employee who was full-time for one or more months, as well as details of any health care coverage offered.

The draft Form 1095-C features three rows of monthly information for each full-time employee, along with draft Indicator codes.

Row 1: The first series of codes relate to offers of coverage, and indicate whether coverage is offered to the employee, the employee's spouse and dependents during each month in the year and the type of coverage offered. Code 1A, for example, identifies employees that receive a qualified offer, which is minimum essential

coverage (MEC) providing minimum value with employee contribution for self-only coverage equal to or less than 9.5% of the mainland single federal poverty line, as well as MEC offered to spouse and dependent(s). Other codes denote whether MEC providing minimum value was offered to the employee only; the employee and dependent(s); the employee and spouse, or to all. Additional codes identify whether MEC offered did not provide minimum value; whether coverage was offered to an employee who was not a full-time employee, or whether a full-time employee was not offered coverage.

Row 2: Provides for monthly reporting of the employee's share of the lowest-cost monthly premium for self-only minimum value coverage.

Row 3: Used to report whether the employer is exempt from the employer shared responsibility mandate for a particular month because the employer qualified for safe harbor relief provided by the IRS in regulations. Examples of "safe harbor" codes include:

- Not employed during the month
- Not a full-time employee
- Employee enrolled in coverage offered
- Section 4980H(b) limited non-assessment period
- Affordability Form W-2 safe harbor
- Affordability federal poverty line safe harbor
- Affordability rate-of-pay safe harbor



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The IRS also issued draft forms that employers, insurers, and other providers of health care coverage will use to report to the IRS and individuals covered; i.e., IRC Section 6055 reporting (Form 1095-B). Form 1095-B generally identifies each covered individual (including any spouse and dependents), and their respective months of coverage. Self-insured ALEs will be required to issue and file a combined Section 6055/6056 report, which will be done by completing Part III of Form 1095-C.

Instructions for the draft forms were not released. According to an IRS statement, the draft forms are being provided to help employers prepare for the new reporting provisions and to invite comments. "We anticipate draft instructions relating to the forms will be posted to IRS.gov in August. Both the forms and instructions will be finalized later this year."

For further information, please see the following:

[IRS Draft Form 1095-C](#)

[IRS Draft Form 1094-C](#)

[IRS Draft Form 1095-B](#)

Final regulations on employer health care insurance coverage reporting

[Notice 2013-45](#), announcing transition relief for 2014: [Affordable Care Act Tax Provisions](#)

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