



SECTION  
**6056**

# EMPLOYER REPORTING GUIDE



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# CHAPTER 1: OVERVIEW

## OVERVIEW OF THIS EMPLOYER GUIDE

This guide is intended to provide information for employers on the Internal Revenue Code (Code) Section 6056 reporting requirements.

Topics covered in this guide include:

- Applicable large employers (ALEs) that are responsible for reporting under Section 6056
- The forms that will be used to accomplish the Section 6056 reporting
- The information an ALE must provide to its full-time employees and to the IRS regarding the health care coverage it offered (or did not offer) to full-time employees
- The deadlines for providing information to full-time employees and to the IRS
- How information must be provided to full-time employees and to the IRS
- The penalties an ALE may face if it fails to satisfy the Section 6056 reporting requirements

The information in this guide is based on current guidance available from the Internal Revenue Service (IRS). Note that specific requirements under Code Section 6056 may change from year to year. We will update this guide with new information as it becomes available; **please contact The Alpha Group if you have questions about updates.**

## BACKGROUND

The Affordable Care Act (ACA) created new reporting requirements under Code Section 6056. These reporting rules require ALEs to provide information to their full-time employees and to the IRS regarding whether they offer health plan coverage to their full-time employees. This information will be reported using Forms 1094-C and 1095-C.

**ALE:** an employer that employed, on average, at least 50 full-time and full-time equivalent (FTE) employees during the preceding calendar year

## SECTION 6056 EMPLOYEE REPORTING GUIDE

The following table provides an overview of an ALE's reporting responsibilities under Section 6056.

<b>FURNISH</b> to each full-time employee	<ul style="list-style-type: none"><li>• An employee statement (<b>Form 1095-C</b>)</li></ul>
<b>FILE</b> with the IRS	<ul style="list-style-type: none"><li>• One transmittal form (<b>Form 1094-C</b>)</li><li>• A separate employee statement (<b>Form 1095-C</b>) for each full-time employee</li></ul>

Starting with the 2015 calendar year, all ALEs are responsible for reporting under Section 6056 for any year in which they have full-time employees. ALEs include private employers, government entities (including federal, state, local and Indian tribal governments) and tax-exempt entities. This means that all ALEs must report information under Section 6056 for all of their full-time employees, regardless of whether they offered coverage to any employees during the calendar year.

The information reported under Section 6056 is used to determine whether an ALE owes an employer shared responsibility penalty under Code Section 4980H. It is also used to determine whether an employee is eligible for a premium tax credit to help pay for health insurance coverage provided through the Marketplace.

### **Section 4980H: The Employer Shared Responsibility Rules ("Pay or Play")**

ALEs must offer affordable, minimum value health coverage to their full-time employees (and dependents) or face a penalty. This penalty only applies if a full-time employee receives a premium tax credit to help pay for Marketplace coverage. Employees are not eligible for a premium tax credit if their employer offers them affordable, minimum value health coverage.

The ACA also created new reporting requirements under Code Section 6055 for entities that provide health coverage to individuals, such as health insurance issuers and sponsors of self-insured health plans. ALEs that sponsor self-insured health plans are responsible for reporting under both Section 6056 and Section 6055.

This guide focuses on employer reporting requirements under Section 6056, regarding offers of coverage made by ALEs that sponsor fully insured health plans (or provide no coverage at all). Please contact The Alpha Group for information on reporting for ALEs that sponsor self-insured plans.

# CHAPTER 2: RESOURCES

The IRS has provided reference materials and guidance regarding an ALE's Section 6056 reporting requirements and the shared responsibility rules. These materials may be found using the links below.

## FORMS AND INSTRUCTIONS

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- [Form 1094-C](#), *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return*
- [Form 1095-C](#), *Employer-Provided Health Insurance Offer and Coverage*
- [Instructions](#) for Forms 1094-C and 1095-C
- [Form 8809](#) for Section 6056 filing extensions

## PUBLICATIONS

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- [Publication 5223](#): Substitute Forms 1094-C and 1095-C
- [Publication 5196](#): ALE Reporting Requirements

## QUESTIONS AND ANSWERS

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- [Q&As](#) on Section 6056 Reporting
- [Q&As](#) on Employer Reporting using Form 1094-C and Form 1095-C
- [Q&As](#) on Employer Shared Responsibility Rules

## REGULATIONS AND NOTICES

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- [Final regulations](#) on Section 6056 Reporting
- [Final regulations](#) on Employer Shared Responsibility Rules
- [Notice 2016-4](#) extending 2015 reporting deadlines

# CHAPTER 3: WHO MUST REPORT

## APPLICABLE LARGE EMPLOYERS

The Section 6056 reporting requirements apply to “applicable large employers” (ALEs). These are the employers that are subject to the ACA’s employer shared responsibility rules, found in Code Section 4980H.

An employer is an ALE for a calendar year if it employed an average of at least **50 full-time employees**, including full-time equivalent employees (FTEs), during the previous calendar year. The process for determining whether an employer is an ALE is discussed in more detail later in this chapter.

The Section 6056 reporting requirements apply to **all ALEs**, regardless of whether the ALE offers coverage to any of its full-time employees, and regardless of whether the ALE is a tax-exempt or government entity (including federal, state, local and Indian tribal governments).

However, only ALEs that have full-time employees during a year are responsible for reporting under Section 6056 for that year.

For 2015, ALEs that have between **50 and 99** full-time and FTE employees (and meet certain other requirements) will not be subject to employer shared responsibility penalties.

**However, these ALEs must still report under Section 6056 for 2015.**

## DETERMINING ALE STATUS

Whether a particular employer is an ALE is determined according to a specific formula. This formula involves counting each employee's hours of service from the previous year. An **hour of service** includes each hour for which an employee was paid or entitled to payment (even if it was for paid time off) from the employer. The steps for determining ALE status are outlined below.

For determining ALE status for 2015, employers may use a period of at least six consecutive calendar months for counting employees, rather than the whole year.

**1**

### FULL-TIME EMPLOYEE COUNT

Determine the number of full-time employees the employer employed in each calendar month of the previous year.

- A **full-time employee** for a calendar month is an individual who had, on average, at least 30 hours of service per week (or at least 130 hours total) during the month.

**2**

### FULL-TIME EQUIVALENT (FTE) EMPLOYEE COUNT

Determine the number of FTEs the employer employed in each calendar month of the previous year.

- Combine the total hours of service of all part-time employees (only including up to 120 hours per employee) and divide the total by 120.
- The result may be rounded to the nearest 100th.

**3**

### ADD FULL-TIME AND FTE COUNTS

Add the number of full-time employees to the number of FTEs for each calendar month.

**4**

### ADD MONTHLY TOTALS

Add all monthly totals of full-time and FTE employees together to find the total number of full-time and FTE employees for the calendar year.

**5**

### DIVIDE ANNUAL EMPLOYEE COUNT BY 12

Divide the total number of full-time and FTE employees for the calendar year by 12 to find the average number of full-time and FTE employees for the calendar year.

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### *Aggregated ALE Groups*

Related employers are treated as a single employer for determining employer size if they meet certain IRS criteria. Specifically, all entities that are treated as a single employer under Code Sections 414(b), (c), (m) or (o) are combined and treated as a single employer for purposes of determining whether the collective entity has at least 50 full-time employees (including FTEs). Together, these related entities will be an Aggregated ALE Group.

When the combined total of all full-time employees (including FTEs) of all employers within an aggregated group meets the threshold, every company in the group is an ALE that is subject to the employer shared responsibility rules, as well as the related Section 6056 reporting requirements. This is the case even if each company in the group did not have enough employees to be an ALE on its own.

Each separate company within an Aggregated ALE Group is called an **ALE Member**.

Each ALE Member is responsible for its own Section 6056 reporting. This means that each ALE Member must file returns with the IRS and furnish a statement to each of its own full-time employees, using its own employer identification number (EIN).

### *Seasonal Worker Exception*

An employer (or group of related employers) may not be an ALE for a calendar year if:

- Its workforce exceeded 50 full-time (and FTE) employees for only 120 days or fewer during the preceding calendar year; and
- The employees in excess of 50 who were employed during that time were seasonal workers.

Employers may apply either a period of **four calendar months** or **120 days** to determine if it meets the seasonal worker exception. These time periods do **not** have to be consecutive.

**Seasonal workers** are those who are only employed for a portion of the year due to the nature of the employment, including retail workers who are employed exclusively during holiday seasons.

### *New Employers*

If an employer did not exist in the previous year, it will be an ALE for the current year if, at the time it came into existence, it reasonably expected that it would employ an average of at least 50 full-time employees (including FTEs) during the current year.

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### DESIGNATING A THIRD PARTY TO FILE ON BEHALF OF AN ALE

An ALE can use a third party to facilitate or complete its Section 6056 reporting obligations. However, this does not transfer the ALE's potential liability for penalties under the employer shared responsibility rules, nor the potential liability for penalties for failures to properly report under Section 6056 (except in the case of a related entity properly designated by a governmental unit). Penalties for failures to report under Section 6056 are further discussed in Chapter 10 of this Guide.

If a person who prepares the returns or statements that are required under Section 6056 is a tax return preparer, that person will be subject to the requirements generally applicable to tax return preparers.

Using a third party to furnish statements to full-time employees or to file returns with the IRS does **not** transfer an ALE's potential liability for penalties.

An ALE that is a governmental unit or agency may report on its own, or it may designate (in writing) another person to report on its behalf, as long as the designation meets certain criteria. The designated person—called a Designated Government Entity (DGE)—must be a person or persons that are part of (or related to) the governmental unit ALE. In this case, the DGE is responsible for providing the information and is liable for penalties for failure to comply.

#### *Reporting for Union Employees*

In general, each ALE is responsible for reporting information about its own full-time employees. In most cases, this rule applies regardless of whether employees are union or non-union employees. The IRS has approved an optional reporting approach for ALEs that have full-time employees who are eligible to participate in a **multiemployer plan** under a collective bargaining agreement or other similar arrangement.

Under this option:

- The multiemployer plan administrator would do the reporting for the full-time employees who are eligible for the multiemployer plan (generally the union employees).
- The ALE would file returns related only to the full-time employees who are not eligible for the multiemployer plan.

However, this approach may not be available to most ALEs because multiemployer plan administrators may not be willing or able to file returns, due to existing fiduciary requirements. In this case, the ALE would have to report information regarding both union and non-union employees. There are special rules that apply if the ALE contributed to a multiemployer plan on behalf of any employees, as well as special instructions for reporting those employees under Section 6056. Reporting for these employees is discussed more in Chapter 6 of this guide.

# CHAPTER 4: FORMS

## REQUIRED FORMS

ALEs will use **Forms 1094-C** and **1095-C** to meet their reporting obligations under Section 6056.

FORM	PURPOSE
<b>Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return</b>	Reports summary information about the ALE (or ALE member) and transmits Forms 1095-C to the IRS
<b>Form 1095-C: Employer-Provided Health Insurance Offer and Coverage</b>	Reports information about the offer of coverage made to each full-time employee

In addition, Forms 1094-C and 1095-C are used to determine whether an employer owes an employer shared responsibility penalty under Section 4980H. Form 1095-C is also used in determining an employee's eligibility for a premium tax credit to help pay for health insurance coverage obtained through a Marketplace.

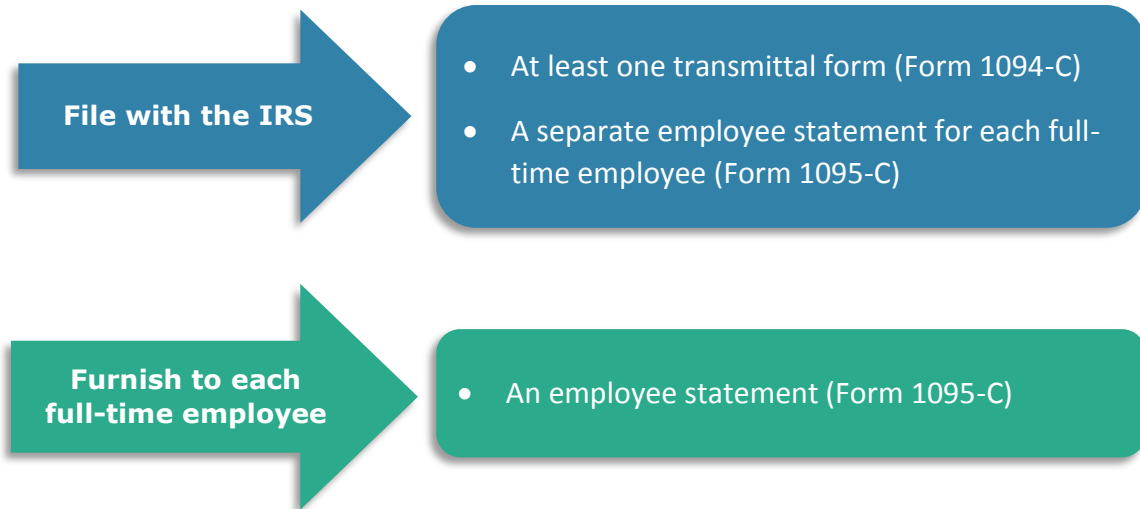
Substitute forms that comply with applicable requirements may be used, as long as the required information is included. Specific requirements for substitute forms are outlined in [IRS Publication 5223](#). Substitute forms must conform to these requirements to be acceptable for filing with the IRS. Reporting entities may not request special consideration.

The IRS will **not** accept substitute forms that do not comply with the guidelines found in Pub. 5223.

## SECTION 6056 EMPLOYEE REPORTING GUIDE

### *Filing and Furnishing the Required Forms*

Under Section 6056, each ALE is required to file information returns with the IRS and furnish employee statements to its full-time employees.



Specific deadlines apply for furnishing statements to full-time employees and for filing returns with the IRS. For purposes of reporting information for the 2015 calendar year only, the furnishing and filing deadlines have been extended in 2016. See Chapter 5 of this guide for more information on applicable deadlines.

### *Recordkeeping*

ALEs should generally keep copies of information returns filed with the IRS (or have the ability to reconstruct the data) for at least three years from the due date of the returns.

# SECTION 6056 EMPLOYEE REPORTING GUIDE

## 2015 FORMS

The following illustrations provide an overview of the required forms and the filing and furnishing responsibilities for ALEs related to 2015 offers of coverage.

### Form 1095-C for 2015

## FURNISH TO FULL-TIME EMPLOYEES



**MARCH 31, 2016**

ALEs must furnish **Forms 1095-C (Employee Statements)**

The image shows a sample of Form 1095-C, 'Employer-Provided Health Insurance Offer and Coverage'. It includes sections for 'Part I - Information about the Plan', 'Part II - Employee Offer and Coverage' (a monthly grid), and 'Part III - Covered Individuals' (a grid for each individual's coverage status).

Complete a **Form 1095-C (Parts I and II)** for each person who was a full-time employee for any month in 2015

Furnish **each full-time employee** with a copy of the form with his or her own information

*This information applies to ALEs that sponsor insured plans or do not provide coverage. ALEs that sponsor self-insured plans should contact The Alpha Group for information on combined reporting under Sections 6056 and 6055.*

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Form 1094-C for 2015

## FILE WITH THE IRS



**MAY 31, 2016**  
(if filing on paper)

**JUNE 30, 2016**  
(if filing electronically)



ALEs must **file all of the following with the IRS:**

Completed **Forms 1095-C**

One for each person who was a full-time employee for any month 2015

One completed **Form 1094-C**

19 Is this the authoritative transmittal for this ALE Member? . . . . .

With the box on **Line 19** checked to indicate it is the **Authoritative Transmittal**

*ALEs may file more than one Form 1094-C, but only one will be the Authoritative Transmittal.*

# CHAPTER 5: DEADLINES

Under Section 6056, the required forms must be furnished to full-time employees and filed with the IRS by certain dates. Forms are due in the year after the calendar year to which the forms relate. The reporting deadlines will generally be consistent from year to year. However, the deadlines have been extended for 2015 reporting.

## EXTENDED DEADLINES FOR 2015 REPORTING

The IRS has delayed the 2016 due dates for filing and furnishing forms under Section 6056, related to information for 2015 reporting. The deadlines are outlined in the chart below.

2015 Reporting Requirement	2016 Deadline
Furnish a copy of Form 1095-C to full-time employees	March 31, 2016
File Forms 1094-C and 1095-C with the IRS	May 31, 2016 (June 30, 2016, if filed electronically)

These extended deadlines apply automatically for all reporting entities. Filers are not required to submit any request or other documentation to the IRS in order to take advantage of the extended due dates for 2015 information reporting.

Despite the delay, the IRS was prepared to accept filings of the required forms beginning in January 2016. The IRS encourages ALEs to furnish statements and file returns as soon as they are ready.

**The deadline extensions for calendar year 2015 have no effect on the reporting requirements for future years or the effective date or application of other ACA provisions.**

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### DEADLINES FOR 2016 AND LATER YEARS

The following deadlines will generally apply for reporting information about 2016 and later calendar years:

Reporting Requirement	Deadline
Furnish a copy of Form 1095-C to full-time employees	Jan. 31 of the following year
File Forms 1094-C and 1095-C with the IRS	Feb. 28 of the following year (March 31, if filed electronically)

#### General Deadline Extensions

If any reporting deadline falls on a Saturday, Sunday or holiday, the deadline will be extended to the next business day.

For reporting information for 2016 and later calendar years, ALEs may receive an **automatic 30-day extension of time to file** the required information with the IRS by completing and filing [Form 8809](#), *Application for Extension of Time To File Information Returns*, **by the due date of the returns**.

No signature or explanation is required for this automatic extension. Under certain hardship conditions, employers may also apply for an additional 30-day extension. See the instructions for Form 8809 for more information.

Employers may also request an extension of time to furnish the statements (Forms 1095-C) to recipients by sending a letter to the IRS. The letter must include:

- The filer's name, TIN and address;
- The type of return;
- A statement that the extension request is for providing statements to recipients;
- A reason for the delay; and
- The signature of the filer or authorized agent.

The extended deadlines for 2015 apply to all ALEs automatically, and will **not** be extended any further for any ALE.

A request must be postmarked **by the date on which statements are due to recipients**. If the request for an extension is approved, employers will generally be granted a maximum of 30 extra days to furnish the statements.

# CHAPTER 6: COMPLETING FORM 1095-C

Under Section 6056, an ALE must report specific information about each of its full-time employees, regarding the health coverage the ALE offered in each month of the year (if any). This requirement applies to all ALEs, regardless of whether they offered health coverage to all, none or some of their full-time employees.

All ALEs may use the **general method of reporting** to report the information required under Section 6056. Two **alternative methods of reporting** are also available for ALEs that meet certain eligibility requirements. This chapter primarily discusses reporting under the general method of reporting. More information about the alternative methods of reporting is available in Chapter 8 of this guide.

## COMPLETE A FORM 1095-C FOR EACH FULL-TIME EMPLOYEE

Every ALE is required to report information about each of its full-time employees. Even if an ALE does not offer coverage to any full-time employees, it must still file returns with the IRS and furnish statements to each full-time employee under Section 6056.

An ALE is **not** required to file a Form 1095-C for an individual who was:

- Not a full-time employee for any month of the calendar year; or
- In a Limited Non-assessment Period for the entire calendar year.

For example, an ALE would not complete a Form 1095-C for an employee who was hired mid-year and then was in an initial measurement period that continued into the following year.

## PART I: INFORMATION ABOUT THE EMPLOYEE AND THE EMPLOYER

Each Form 1095-C must include specific information about the ALE and the employee to which the form relates. This information is reported in Part I of each form. There are separate sections for information regarding the employee and the ALE.

- **Employee:** Report the employee's name, Social Security number (SSN) and address (Lines 1-6).
- **Applicable Large Employer Member (Employer):** Report the employer's name, employer identification number (EIN), address and telephone number (Lines 7-13).

## PART II: INFORMATION ABOUT THE OFFER OF COVERAGE

In Part II of the Form 1095-C, the ALE will indicate whether an offer of minimum essential coverage (MEC) was made to the employee and the employee's family members. If so, the ALE will provide certain information about the coverage. The ALE will also use this section to indicate whether a Section 4980H safe harbor applies for that employee.

The ALE may complete the **Plan Start Month** section to identify the date on which the employer's plan year begins. Completing this section is optional for 2015, but is expected to be required in future years.

### *Offer of Coverage (Line 14)*

An ALE will complete Line 14 of the Form 1095-C to indicate whether it offered MEC to the employee. If an offer of MEC was made, the ALE will report whether the MEC provided minimum value (MV) and whether coverage was also offered to the employee's spouse and dependents. If the employer is using the Qualifying Offer Method of reporting for the employee, the affordability of coverage will also be reported on Line 14. See Chapter 8 of this guide for more information on the Qualifying Offer Method of reporting.

Information on the offer of coverage is reported using indicator codes. Specifically, the ALE will use Code Series 1 to report information regarding whether coverage was offered, and, if so, the information about the coverage. See the table on Pages 20-21 of this guide for more details about Code Series 1.

Unless a code is entered in the "All 12 Months" box, a code must be entered for each calendar month (January through December), even if the employee was not a full-time employee for one or more of the calendar months.

An ALE is considered to have offered health coverage for a month only if the offered coverage would **provide coverage for every day of that calendar month**. If an employee terminates coverage before the last day of the month, the employee does not actually have an offer of coverage for that month, so the ALE would indicate that it did not offer coverage for the month (using Code 1H).

Health coverage does not include any coverage that was not actually offered to the employee, even if the ALE would otherwise be treated as having offered the coverage. For example, if the ALE is eligible for the dependent coverage transition relief or non-calendar year transition relief under Section 4980H for the employee, the ALE would be treated as having offered the coverage for purposes of providing the total number of its full-time employees that were offered MEC on Form 1094-C. However, for

### Minimum Essential Coverage (MEC)

Most employer-sponsored health plans will qualify as MEC, which includes:

- Both insured and self-insured group health plans; and
- Grandfathered plans under the ACA.

MEC does **not** include certain specialized coverage or excepted benefits.

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purposes of entering codes on Line 14 of the Form 1095-C, the ALE would only include the offer of coverage if it was **actually offered** for every day of the calendar month.

In addition to specifying whether coverage was offered to the employee, the codes in Code Series 1 specify the type of coverage, if any, that was offered to the employee's spouse and the employee's dependents. For coverage reporting purposes, the term **dependent** means the employee's biological or adopted child who has not reached age 26. However, a child is still a dependent for the entire month in which he or she turns 26. The term dependent does **not** include the employee's spouse, stepchildren or foster children.

For coverage reporting purposes, the term **dependent** means the employee's biological or adopted child who has not reached age 26.

### Offers of COBRA Coverage

If an employee was offered COBRA coverage, choosing the code to use from Code Series 1 will depend on the reason for the offer of COBRA coverage.

- For an employee whose employment was terminated, Code 1H (no offer of coverage) would apply; and
- For an employee who remained actively employed but was offered COBRA coverage due to a reduction in hours or for other reasons, the same codes that apply to other active employees would apply.

The following table provides additional details about how to use the codes in Code Series 1 for completing Line 14 of the Form 1095-C.

Code Series 1		
Code	Description	Use if:
<b>1A</b>	Qualifying Offer: MEC providing minimum value offered to full-time employee with employee contribution for self-only coverage equal to or less than 9.5% (as adjusted) of mainland single federal poverty line and at least MEC offered to spouse and dependent(s)	The employee was given a Qualifying Offer. This code can be used even if a Qualifying Offer was not made for the entire year.
<b>1B</b>	MEC providing minimum value offered to the employee only	The employer's coverage excludes spouses and dependent children
<b>1C</b>	MEC providing minimum value offered to the employee and at least MEC offered to dependent(s) (not spouse)	The employer's coverage excludes spouses

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<b>1D</b>	MEC providing minimum value offered to the employee and at least MEC offered to spouse (not dependent(s))	The employer's coverage excludes dependent children
<b>1E</b>	MEC providing minimum value offered to the employee and at least MEC offered to dependent(s) and spouse	The employer's coverage is offered to the whole family and provided minimum value to at least the employee
<b>1F</b>	MEC NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents	The employer's coverage does not provide minimum value
<b>1G</b>	Offer of coverage to employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) AND who enrolled in self-insured coverage for one or more months of the calendar year	The ALE offers a self-insured plan and is using Form 1095-C, Part III, to report under Section 6055 for an employee who was not a full-time employee for any month of the calendar year
<b>1H</b>	No offer of coverage (employee not offered any health coverage or employee was offered coverage that is not MEC, which may include one or more months in which the individual was not an employee)	<ul style="list-style-type: none"> <li>• The employee was not eligible to enroll in coverage for the entire month</li> <li>• The coverage offered was not MEC</li> <li>• The employee terminated employment during the month and COBRA coverage was offered</li> </ul>
<b>1I</b>	Qualifying Offer Method Transition Relief for 2015: Employee (and spouse or dependents) received no offer of coverage; received an offer that is not a Qualifying Offer; or received a Qualifying Offer for less than 12 months.	The employee did not receive a Qualifying Offer, but the ALE made a Qualifying Offer for one or more months to at least 95% of full-time employees (other than employees in a Limited Non-assessment Period).

***See Chapter 8 of this Guide for more information on Code 1A (Qualifying Offer) and Code 1I (Qualifying Offer Method Transition Relief for 2015)***

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### *Cost of Coverage (Line 15)*

In many cases, ALEs that offer MEC will have to report the employee's cost for self-only coverage on Line 15 of the Form 1095-C. Specifically, the information that must be entered is the amount of the employee's share of the lowest-cost monthly premium for self-only MEC providing minimum value (MV) that is offered to the employee. This will be a dollar amount, including any cents.

The amount entered on Line 15 may not be the amount the employee is paying for the coverage, if the employee chose to enroll in more expensive coverage offered by the employer.

The cost of coverage amount reported on Line 15 will not necessarily be the cost of the coverage in which the employee actually enrolled. For example, an employee may enroll in a more expensive coverage option (such as family coverage). The ALE should still enter the lowest-cost monthly premium for self-only coverage that was offered to the employee.

An ALE will be required to complete Line 15 of an employee's Form 1095-C only if Code **1B, 1C, 1D or 1E** is entered on Line 14 (either in the "All 12 Months" box or in any of the monthly boxes). If any other code is entered on Line 14 for any month, the ALE should leave Line 15 blank for that month.

To determine the employee's monthly contribution amount, an ALE may divide the total employee share of the premium for the plan year by the number of months in the plan year. The resulting amount will be entered into the boxes for each month of the calendar year that fall within the plan year.

$$\text{Monthly employee share} = \frac{\text{Total employee share of premium for the plan year}}{\text{Number of months in the plan year}}$$

If the employee is offered coverage but is not required to contribute any amount toward the premium, the ALE will enter "0.00." Line 15 must not be left blank if Code **1B, 1C, 1D or 1E** was entered on Line 14, either for that month or for all 12 months.

### *Section 4980H Safe Harbor (Line 16)*

ALEs will complete Line 16 of the Form 1095-C to indicate whether a Section 4980H safe harbor or other transition relief applies for the employee. The information on the Section 4980H safe harbors is reported using indicator codes from Code Series 2.

Entering a safe harbor code will tell the IRS why an employer shared responsibility penalty would not apply for that employee for a month. For example, the employee may not have been employed for a month, the employee may have enrolled in the coverage offered, or specific transition relief might apply.

***If no code from Code Series 2 applies for a calendar month, Line 16 will be left blank.***

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Only one code from Code Series 2 may be used for a particular month, even if more than one situation applies to the same employee in the same month. For example, an employee could be enrolled in health coverage for a particular month (Code 2C) during which he or she is not a full-time employee (Code 2B). However, the ALE would only enter one of those applicable codes (in this case, Code 2C).

The code descriptions in the table below address which code to use for a month, if more than one code from Code Series 2 could apply.

### Which code should be used if the employee waived coverage?

There is no specific safe harbor code for a situation where the employee was offered coverage but declined to enroll. On its own, a waiver of coverage does not exempt an ALE from penalties. The employer will have to show that its coverage met the applicable requirements or that some other relief applies. For example, the employer could show that its coverage was affordable using Code 2F, 2G or 2H.

Code Series 2		
Code	Description	Instructions
2A	Employee not employed during the month	Enter Code 2A if the employee was not employed on any day of the calendar month. Do not use Code 2A for a month if the individual was an employee of the employer on any day of the calendar month. Do not use Code 2A for the month during which an employee terminates employment with the employer.
2B	Employee not a full-time employee	Enter Code 2B if the employee is not a full-time employee for the month and did not enroll in MEC, if it was offered for the month. Also enter Code 2B if the employee is a full-time employee for the month who terminated employment during the month and the offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment. Also use this code for January 2015 if the employee was offered health coverage no later than the first day of the first payroll period that begins in January 2015 and the coverage offered was affordable and provided minimum value.
2C	Employee enrolled in coverage offered	Enter Code 2C for any month in which the employee enrolled in health coverage offered by the employer for each day of the month, regardless of whether any other code in Code Series 2 (other than Code 2E) might also apply (for example, the code

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		<p>for a Section 4980H affordability safe harbor).</p> <p>Do not enter Code 2C on Line 16 if Code 1G is entered in the "All 12 Months" box on Line 14 because the employee was not a full-time employee for any months of the calendar year.</p> <p>Do not enter Code 2C on Line 16 for any month in which a terminated employee is enrolled in COBRA continuation coverage (enter Code 2A).</p>
<b>2D</b>	Employee in a Section 4980H(b) Limited Non-assessment Period	<p>Enter Code 2D for any month during which an employee is in a Limited Non-assessment Period for Section 4980H(b), such as a waiting period or initial measurement period. See below for more information on Limited Non-assessment Periods.</p> <p>If an employee is in an initial measurement period, enter Code 2D (employee in a Section 4980H(b) Limited Non-assessment Period) for the month, and not Code 2B (employee not a full-time employee).</p> <p>For an employee in a Section 4980H(b) Limited Non-assessment Period for whom the employer is also eligible for the multiemployer interim rule relief for the month, enter Code 2E (multiemployer interim rule relief) and not Code 2D (employee in a Limited Non-assessment Period).</p>
<b>2E</b>	Multiemployer interim rule relief	<p>Enter Code 2E for any month for which the multiemployer arrangement interim guidance applies for that employee, regardless of whether any other code in Code Series 2 (including Code 2C) might also apply. See below for more information about this relief.</p>
<b>2F</b>	Section 4980H affordability Form W-2 safe harbor	<p>Enter Code 2F if the employer used the Form W-2 safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for the year. If an employer uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.</p> <p>Do not use if the multiemployer interim rule relief applied (use Code 2E) or if the employee enrolled in the coverage (use Code 2C).</p>
<b>2G</b>	Section 4980H affordability federal poverty line safe harbor	<p>Enter Code 2G if the employer used the federal poverty line safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).</p> <p>Do not use if the multiemployer interim rule relief applied (use Code 2E) or if the employee enrolled in the coverage (use Code 2C).</p>
<b>2H</b>	Section 4980H affordability rate of pay safe harbor	<p>Enter Code 2H if the employer used the rate of pay safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).</p>

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		Do not use if the multiemployer interim rule relief applied (use Code 2E) or if the employee enrolled in the coverage (use Code 2C).
<b>2I</b>	Non-calendar year transition relief applies to this employee	Enter Code 2I if non-calendar year transition relief for Section 4980H(b) applies to this employee for the month. Do not use if the multiemployer interim rule relief applied (use Code 2E) or if the employee enrolled in the coverage (use Code 2C).

### *Limited Non-assessment Periods*

A Limited Non-assessment Period is a time period during which an ALE will not be subject to an employer shared responsibility penalty under Section 4980H(a), and in certain cases under Section 4980H(b), for a full-time employee, regardless of whether that employee is offered health coverage during that period.

- **First Calendar Month of Employment.** If the employee's first day of employment is a day other than the first day of the calendar month, then the employee's first calendar month of employment is a Limited Non-assessment Period

In addition, the five periods described below are Limited Non-assessment Periods if the employee is offered health coverage by the first day of the first month following the end of the period. They are considered Limited Non-assessment Periods for Section 4980H(b) only if the health coverage that is offered at the end of the period provides minimum value.

- **January through March of the first calendar year in which an employer is an ALE,** but only for an employee who was not offered health coverage by the employer at any point during the prior calendar year
- **Waiting Period under the Monthly Measurement Method,** beginning with the first full calendar month in which the employee is first otherwise (but for completion of the waiting period) eligible for an offer of health coverage and ending no later than two full calendar months after the end of that first calendar month
- **Waiting Period under the Look-back Measurement Method,** beginning on the employee's start date and ending no later than the end of the employee's third full calendar month of employment, if the employee is reasonably expected to be a full-time employee at his or her start date
- **Initial Measurement Period and Associated Administrative Period under the Look-back Measurement Method,** if the employee is a variable-hour employee, seasonal employee or part-time employee
- **Period Following Change in Status that Occurs During Initial Measurement Period Under the Look-back Measurement Method,** beginning on the date of the employee's change in employment

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status and ending no later than the end of the third full calendar month following the change in employment status, if, as of the employee's start date, the employee is a variable-hour employee, seasonal employee or part-time employee, but, during the initial measurement period, the employee has a change in employment status such that, if the employee had begun employment in the new position or status, the employee would have reasonably been expected to be a full-time employee. If the employee is a full-time employee based on the initial measurement period and the associated stability period starts sooner than the end of the third full calendar month following the change in employment status, this Limited Non-assessment Period ends on the day before the first day of that associated stability period.

### *Multiemployer Interim Rule Relief*

An ALE is treated as having offered health coverage to an employee if the employer is required (by a collective bargaining agreement or related participation agreement) to make contributions for that employee to a multiemployer plan that meets certain requirements. For the ALE to qualify for this relief, the multiemployer plan must:

- Offer health coverage that is affordable and provides minimum value to individuals who satisfy the plan's eligibility conditions; and
- Offer health coverage to those individuals' dependents (or be eligible for the Section 4980H transition relief regarding offers of coverage to dependents).

For reporting offers of coverage for 2015, an employer relying on the multiemployer arrangement interim guidance should enter code 1H on Line 14 for any month for which the employer enters Code 2E on Line 16 (indicating that the employer was required to contribute to a multiemployer plan on behalf of the employee for that month, and, therefore, is eligible for multiemployer interim rule relief).

For reporting for 2015, Code 1H may be entered without regard to whether the employee was eligible to enroll or enrolled in coverage under the multiemployer plan. For reporting for 2016 and future years, ALE Members relying on the multiemployer arrangement interim guidance may be required to report offers of coverage made through a multiemployer plan in a different manner.

# CHAPTER 7: COMPLETING FORM 1094-C

## COMPLETE ONE FORM 1094-C AS THE AUTHORITATIVE TRANSMITTAL

Every ALE is required to file at least one Form 1094-C with the IRS. Although ALEs may file more than one Form 1094-C with its returns, every ALE must designate only one Form 1094-C as its **Authoritative Transmittal** for all of its returns.

An ALE's Authoritative Transmittal is used to report all of the information that is required for the employer (the aggregate employer-level data for the ALE). To designate a Form 1094-C as the Authoritative Transmittal, the ALE will check the box on Line 19 and complete Parts II, III and IV, to the extent applicable.

Any additional Forms 1094-C filed by or on behalf of the ALE must **not** be designated as an Authoritative Transmittal, and must only include information about the number of Forms 1095-C that are attached to that specific Form 1094-C.

An ALE's **Authoritative Transmittal** is used to report aggregate-level data about the ALE and its employees.

This situation may occur if the ALE is sending some of its Forms 1095-C in separate batches. The additional Forms 1094-C that the ALE files with the separate batches of Forms 1095-C must also include the information about the ALE in Part I and a completed signature line. The remaining parts of the additional Forms 1094-C must be left blank.

## PART I: APPLICABLE LARGE EMPLOYER MEMBER (ALE MEMBER)

### *Information about the Employer (Lines 1-18)*

In Part I of all Forms 1094-C that an ALE includes in its returns, the ALE must report its:

- Employer name, EIN and address; and
- The name of the person whom the ALE designates as the person responsible for answering any questions about the return, along with that person's telephone number.

If a Designated Governmental Entity (DGE) is filing on behalf of the ALE, the DGE must include its name, EIN, address, contact person and telephone number as well.

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On Line 18 of every Form 1094-C, the ALE must enter the total number of Forms 1095-C that the ALE is filing with that particular Form 1094-C.

### *Authoritative Transmittal Designation (Line 19)*

The ALE must check the box on Line 19 on **only one** Form 1094-C. This designates the Form 1094-C as the ALE's Authoritative Transmittal. On the Form 1094-C that is designated as the ALE's Authoritative Transmittal, the ALE must complete all applicable parts discussed below.

If the Form 1094-C is **not** designated as the Authoritative Transmittal, the ALE must leave the rest of the form blank (Parts II, III and IV), except for the signature line. The signature line must be completed on all Forms 1094-C that an ALE includes in its returns.

## PART II: ALE MEMBER INFORMATION

### *Information about the Employer and Returns (Lines 20-21)*

In Part II of its Authoritative Transmittal Form 1094-C, the ALE must enter:

- The total number of Forms 1095-C it is filing for its returns (including any that the ALE may send in separate batches with separate Forms 1094-C) on Line 20; and
- An "X" on Line 21 in the "Yes" or "No" box to indicate whether the ALE is part of an Aggregated ALE Group.

Lines 21-22 should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

### *Certifications of Eligibility for Alternative Reporting Methods and Transition Relief (Line 22)*

If the ALE is using an alternative method of reporting, it must certify its eligibility to use the alternative reporting method by placing an "X" in the appropriate box on Line 22 of its Authoritative Transmittal. See Chapter 8 of this guide for more details about the alternative methods of reporting under Section 6056.

An eligible ALE may use one alternative method of reporting for some employees and another alternative method (or the general reporting method) for other employees. Therefore, depending on its eligibility and whether it is actually using the alternative reporting method(s), the ALE may place an "X" in one or more of the following at Line 22:

- **Box A:** to certify it is eligible to use (and is using) the Qualifying Offer Method for some or all of its employees;
- **Box B:** to certify it is eligible to use (and is using) the Qualifying Offer Method Transition Relief for 2015 for all of its employees; or
- **Box D:** to certify it is eligible to use (and is using) the 98 Percent Offer Method.

Details about these alternative reporting methods are included in Chapter 8 of this guide.

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Line 22 also includes **Box C**, which indicates whether the employer is eligible for certain transition relief under the employer shared responsibility rules, based on the ALE's number of full-time (and FTE) employees.

The **Section 4980H Transition Relief** certification in Box C can be used by:

- **ALEs that had 50 to 99 full-time (and FTE) employees in 2014:** to certify that they are eligible for the Section 4980H transition relief that exempts them from any potential employer shared responsibility penalties for the 2015 plan year.
- **ALEs that had 100 or more full-time (and FTE) employees in 2014:** to certify that they are eligible for the Section 4980H transition relief that allows them to reduce their full-time employee count by 80, rather than by 30, when calculating any applicable employer shared responsibility penalties under Section 4980H(a) for the 2015 calendar year.

An ALE that qualifies for either of these provisions should place an "X" in Box C on Line 22 of its Authoritative Transmittal.

It is possible for an ALE to check some, all or none of the boxes on Line 22 of the Authoritative Transmittal. None of these boxes should be checked on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

### *Signature Line*

An ALE must complete the signature line at the end of Part II on its Authoritative Transmittal, as well as on all Forms 1094-C that it files with the IRS.

## **PART III: ALE MEMBER INFORMATION—MONTHLY (LINES 23-35)**

Part III of Form 1094-C includes five columns—Columns (a) through (e). All ALEs must enter information in Columns (a) and (c) on their Authoritative Transmittal. These columns are used to report information about the ALE's employees, along with the coverage offered (or not offered) to those employees, in all months of the calendar year.

The other three columns in Part III—Columns (b), (d) and (e)—will only be completed if they apply to the ALE. See below for more information on these columns.

An ALE must complete Part III only on its Authoritative Transmittal Form 1094-C. Part III should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

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### **Column (a)—Minimum Essential Coverage (MEC) Indicator**

Column (a) is used to indicate whether the ALE offered MEC to “substantially all” of its full-time employees (and their dependents) for each calendar month of the reporting year.

**“Substantially all” means:**

For the 2015 calendar year → 70 percent of the ALE’s full-time employees  
 For 2016 and later → 95 percent of the ALE’s full-time employees

If the answer is the same for all 12 months, the ALE can complete Line 23 and leave Lines 24-35 blank. If the answer is **not** the same for all 12 months, Lines 24-35 will have to be completed.

Column (a) If MEC was offered to “substantially all” of the ALE’s full-time employees (and dependents):	
For every month of the year	Enter an “X” in the “Yes” box on Line 23 for “All 12 Months” (or in the “Yes” boxes on Lines 24-35 for each individual calendar month).
For only certain calendar months	Enter an “X” in the “Yes” or “No” boxes, as applicable, on Lines 24-35.
No months of the year	Enter an “X” in the “No” box on Line 23 for “All 12 Months” (or in the “No” boxes on Lines 24-35 for each individual calendar month).

### **Column (b)—Full-time Employee Count**

Unless the ALE certified (on Line 22 of the Authoritative Transmittal) that it is eligible to use the 98 Percent Offer Method of reporting (see Chapter 8 of this guide for more information on this method), the ALE must enter the number of full-time employees it employed, in either the “All 12 months” box on Line 23, or the boxes for each calendar month of the reporting year on Lines 24-35, in Column (b).

### **Column (c)—Total Employee Count**

All ALEs must enter the total number of employees (both part-time and full-time) that they employed during the calendar year, for either all 12 months on Line 23, or for each of the calendar months of the reporting year on Lines 24-35, in Column (c).

The number should include all employees, even those who were in a Limited Non-assessment Period, for each calendar month. An ALE must choose one of the following days of the month to determine the number of employees for the month and use that day for all months of the year:

- First day of each month;

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- Last day of each month;
- Twelfth day of each month;
- First day of the first payroll period that starts during each month; or
- Last day of the first payroll period that starts during each month (but only if this day always falls within the same month as the beginning of the payroll period used).

### **Column (d)—Aggregated Group Indicator**

An ALE will only complete Column (d) if it indicated (on Line 21) that it is part of an Aggregated Group.

If the ALE indicated that it is part of an Aggregated ALE Group (and is therefore an “ALE Member”), the ALE Member will complete Column (d) by placing an “X” in the boxes for the appropriate time period.

Column (d) If the ALE Member was part of an Aggregated ALE Group:	
<b>For the entire year</b>	Enter an “X” in the box on Line 23 for “All 12 Months” (or on Lines 24-35 for each individual calendar month).
<b>For only certain calendar months</b>	Enter an “X” in all boxes on Line 23-35 for each month that it was part of the Aggregated ALE Group, and leave the other boxes blank.

### **Column (e)—Section 4980H Transition Relief Indicator**

An ALE will only complete Column (e) if it certified (on Line 22) that it is eligible for Section 4980H transition relief.

If the ALE certified that it is eligible for Section 4980H transition relief, the ALE will enter either an “A” or a “B” in the appropriate boxes of Column (e). An ALE cannot be eligible to use both “A” and “B.”

Column (e) If the ALE certified (on Line 22) that it is eligible for Section 4980H transition relief, and had:	
<b>50 to 99 full-time (and FTE) employees in 2014</b>	Place an “A” in the “All 12 Months” box on Line 23, or in the boxes on Lines 24-35 for each individual calendar month.
<b>100 or more full-time (and FTE) employees in 2014</b>	Place a “B” in the “All 12 Months” box on Line 23, or in the boxes on Lines 24-35 for each individual calendar month.

## **PART IV: OTHER ALE MEMBERS OF AGGREGATED ALE GROUP**

An ALE will only complete Part IV of the Authoritative Transmittal Form 1094-C if it indicated (on Line 21) that it is an ALE Member of an Aggregated ALE Group. If the ALE indicated that it is an ALE Member of an Aggregated ALE Group, the ALE will enter the name(s) and EIN(s) of up to 30 other ALE Members that are part of the same Aggregated ALE Group, in Part IV.

If there are more than 30 members of the Aggregated ALE Group, the ALE must enter the 30 with the highest monthly average number of full-time employees (using the number reported in Part III, Column (b), if a number was required to be reported) for the year, or for the number of months during which the ALE Member was a member of the Aggregated ALE Group.

Regardless of the number of members in the Aggregated ALE Group, ALEs should list only the 30 members in descending order, listing first the member with the highest average monthly number of full-time employees. The employer must also complete Part III, Column (d), to indicate which months it was part of an Aggregated ALE Group.

Part IV should only be completed on the Authoritative Transmittal. Part IV should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

# CHAPTER 8: REPORTING METHODS

## OVERVIEW OF REPORTING METHODS

Different methods of reporting are available to ALEs under Section 6056—a **general reporting method**, which all ALEs may use, and **two alternative reporting methods** for ALEs that meet certain eligibility requirements.

The alternative methods of reporting are intended to minimize costs and administrative tasks for ALEs that qualify to use them. In certain situations, the alternative reporting methods allow ALEs to provide less detailed information than they would have to provide under the general method of reporting. In some cases, an ALE using an alternative method of reporting may also be able to provide simplified employee statements to full-time employees.

### Alternative Reporting Methods

**The Qualifying Offer Method:** Reporting Based on Certification of Qualifying Offers

**The 98 Percent Offer Method:** Option to Report without Separate Identification of Full-Time Employees if Certain Conditions Related to Offers of Coverage Are Satisfied

**(Transition relief is available for 2015 under the Qualifying Offer Method).**

If an ALE cannot use the alternative reporting methods for certain employees, the ALE must use the general method of reporting for those employees. The alternative reporting methods are all optional. This means that an ALE may choose to report for all of its full-time employees using the general reporting method, even if an alternative reporting method is available.

If an ALE is eligible to use an alternative reporting method with respect to one or more full-time employees, the ALE may:

- Use that alternative reporting method for those employees, and the general reporting method for other employees; or
- Use any other available alternative method for other employees.

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### GENERAL REPORTING METHOD

Under the general method of reporting, the ALE files with the IRS:

- One Form 1094-C designated as its Authoritative Transmittal; and
- A separate Form 1095-C for each full-time employee.

In addition to the filing requirement, an ALE using the general method of reporting must furnish a statement to each full-time employee that includes all of the information that the ALE must provide to the IRS on Form 1095-C regarding that employee.

An ALE using the general method of reporting may furnish to each full-time employee either:

- A copy of the Form 1095-C that it files with the IRS for that employee; or
- A substitute statement that provides all of the same information requested on that form.

In contrast, ALEs reporting under an alternative method of reporting may, in some cases, furnish simplified statements to employees in lieu of a copy of Form 1095-C.

Much of the information that is required in order to complete Forms 1094-C and 1095-C under the general reporting method is also required under the alternative reporting methods. In some cases, an ALE using an alternative reporting method may provide fewer details than it would have to provide under the general method of reporting. The general method of reporting also provides a framework for all ALEs to follow when completing their Section 6056 returns, regardless of the reporting method used.

ALEs may file substitute forms, as long as the substitute forms:

- Include all of the information required on Form 1094-C and Form 1095-C

**AND**

- Satisfy all form and content requirements, as specified by the IRS.

## ALTERNATIVE REPORTING METHODS

An ALE that uses an alternative method of reporting under Section 6056 must provide a **certification of eligibility** for the alternative method of reporting on its Form 1094-C. This certification would be indicated on Line 22 of the Form 1094-C that is designated as the ALE’s Authoritative Transmittal.

### *Qualifying Offer Method*

The Qualifying Offer Method is designed to ease the reporting burden for ALEs that offer health plans at low cost to their full-time employees. For these ALEs, simplified reporting would provide sufficient information to the IRS to determine whether an employer shared responsibility penalty may apply.

For eligible ALEs, the Qualifying Offer Method provides:

- An alternative method of completing Form 1095-C; and
- An alternative method of furnishing Form 1095-C to full-time employees (in some cases).

The Qualifying Offer Method applies on an employee-by-employee basis. Therefore, ALEs may be eligible to use the Qualifying Offer Method for some of their employees, but not others.

To be eligible to use the Qualifying Offer Method, an ALE must certify that it made a “Qualifying Offer” to at least one full-time employee (for whom an employer shared responsibility penalty could apply) for all months during the year in which the employee was a full-time employee.

A **Qualifying Offer** was made if the ALE offered:

- MEC providing minimum value to a full-time employee at an employee cost for self-only coverage not exceeding **9.5 percent (as adjusted) of the mainland single federal poverty line**; and
- MEC to the employee’s **spouse and dependents**.

An ALE will certify that it made a Qualifying Offer to one or more full-time employees by checking the “Qualifying Offer Method” box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

If the ALE certifies that it made a Qualifying Offer to one or more full-time employees, it can use the **alternative method of completing Form 1095-C** for those employees who received a Qualifying Offer. However, additional requirements must be met to be able to use the **alternative method of furnishing Form 1095-C** to the full-time employees.

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### *Completing Form 1095-C under the Qualifying Offer Method*

An ALE using the Qualifying Offer Method for a full-time employee may use a simplified method for completing Form 1095-C.

Form 1095-C under the Qualifying Offer Method	
<b>Line 14</b>	Enter <b>Code 1A</b> in in the “All 12 months” box (or each applicable monthly box); and
<b>Line 15</b>	Leave the boxes blank for all months in which Code 1A was entered on Line 14.

Code 1A may be used to report for specific months in which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the calendar year. However, an ALE **may not use the alternative method of furnishing Form 1095-C** described below for an employee who did not receive a Qualifying Offer for all 12 calendar months. There is an exception for ALEs that are eligible for, and report using, the Qualifying Offer Method Transition Relief for 2015, which is described in more detail below.

### *Furnishing Form 1095-C under the Qualifying Offer Method*

For any full-time employees who received a Qualifying Offer for all 12 months of the calendar year, the ALE may furnish either a copy of Form 1095-C, as filed with the IRS, or a simplified employee statement.

A simplified Employee Statement under the Qualifying Offer Method must contain:

- The ALE’s name, address and EIN;
- The contact name and telephone number at which the employee may receive information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employee;
- A notification that, for all 12 months of the calendar year, the employee (and his or her spouse and dependents) received a Qualifying Offer and therefore is not eligible for a premium tax credit; and
- Information directing the employee to see [Pub. 974, Premium Tax Credit \(PTC\)](#), for more information on eligibility for the credit.

ALEs that offer self-insured coverage may not provide simplified employee statements to employees who enrolled in the self-insured coverage. These employees will need to receive information regarding their enrollment in the self-insured coverage, which is reported on Form 1095-C, Part III. As a result, these ALEs must furnish a copy of the Form 1095-C, as filed with the IRS, for any full-time employees who received a Qualifying Offer and enrolled in self-insured coverage. The employer may not use the alternative method of furnishing Form 1095-C under the Qualifying Offer Method for those employees.

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### *Qualifying Offer Method Transition Relief for 2015*

Ordinarily, ALEs must use the general method of reporting for any employees who did not receive a Qualifying Offer for all 12 months of the calendar year. However, transition relief is available in 2015 under the Qualifying Offer Method that allows eligible employers to report simplified information for all of their full-time employees (including those that did not receive a Qualifying Offer for all 12 months of the calendar year).

#### **Qualifying Offer Method Transition Relief for 2015**

ALEs that certify that they have made a Qualifying Offer to **at least 95 percent of their full-time employees** (and their spouses and dependents) may report simplified information for all of their full-time employees.

For eligible ALEs, the Qualifying Offer Method Transition Relief for 2015 also provides:

- An alternative method of completing Form 1095-C; and
- An alternative method of furnishing Form 1095-C to full-time employees (in some cases).

An ALE will certify that it is eligible to use the Qualifying Offer Method Transition Relief for 2015 by checking the “Qualifying Offer Method Transition Relief” box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

### *Completing Form 1095-C under the Qualifying Offer Method Transition Relief for 2015*

An ALE using the Qualifying Offer Method Transition Relief for 2015 may provide less detailed information (than what would be required under the general method of reporting) on the Form 1095-C filed with the IRS for each full-time employee.

#### **Form 1095-C under the Qualifying Offer Transition Relief for 2015 Method**

**On Line 14, the ALE must enter either:**

The Qualifying Offer **Code 1A** for any months in which the employee received a Qualifying Offer; or

The Qualifying Offer Method Transition Relief **Code 1I** for any months in which the employee did not receive a Qualifying Offer.

**The ALE must leave Line 15 blank for all months in which either Code 1A or Code 1I is used.**

### *Furnishing Form 1095-C under the Qualifying Offer Method Transition Relief for 2015*

An ALE using the Qualifying Offer Method Transition Relief for 2015 may furnish to each full-time employee either a copy of Form 1095-C, as filed with the IRS, or a simplified employee statement.

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In this case, the required content of any simplified employee statement will vary based on whether the employee received a Qualifying Offer for all, some or no months of the calendar year:

Employee Statement under the Qualifying Offer Method Transition Relief for 2015	
If the Qualifying Offer applied to the employee:	The employee's statement must inform the employee that:
For all 12 months of the calendar year	The employee (and the employee's spouse and dependents, if any) <b>will not</b> be eligible to claim a premium tax credit for any of the 12 calendar months.
For no or only certain calendar months of the year	The employee (and the employee's spouse and dependents, if any) <b>may</b> be eligible to claim a premium tax credit for one or more of the 12 calendar months.

Again, ALEs that offer self-insured coverage may not provide simplified employee statements to employees who enrolled in the self-insured coverage. These employees will need to receive information regarding their enrollment in the self-insured coverage, which is reported on Form 1095-C, Part III. As a result, these ALEs must furnish a copy of the Form 1095-C, as filed with the IRS, for any full-time employees who enrolled in self-insured coverage. The employer may not use the alternative method of furnishing Form 1095-C under the Qualifying Offer Method Transition Relief for 2015 for those employees.

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### *98 Percent Offer Method*

The 98 Percent Offer Method is designed to ensure that an ALE has offered coverage to “substantially all” of its full-time employees, and therefore is not subject to an employer shared responsibility penalty, without having to know which reported employees are full-time and which are part-time.

An ALE can use the **98 Percent Offer Method** if:

- It offered MEC that is affordable and provides minimum value to **at least 98% of its full-time employees** on whom it reports on its Section 6056 return; and
- It offered MEC to those employees’ dependent(s).

An ALE will certify that it is eligible to use the 98 Percent Offer Method by checking the “98 Percent Offer Method” box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

For eligible ALEs, the 98 Percent Offer Method provides only an alternative method of completing Form 1094-C. An ALE using the 98 Percent Offer Method does **not** have to provide its full-time employee count in Part III, Column (b) of Form 1094-C (as required under the general method of reporting and the other alternative methods of reporting).

The 98 Percent Offer Method does not provide an alternative method of completing or furnishing Forms 1095-C. An ALE using the 98 Percent Method is still required to file a separate Form 1095-C on behalf of all its full-time employees. Reporting is still required under the normal rules for all full-time employees, including those not offered coverage.

# CHAPTER 9: HOW TO FILE AND FURNISH

## MANNER OF FILING AND FURNISHING SECTION 6056 FORMS

In general, ALEs responsible for reporting under Section 6056 may furnish statements to employees and file returns with the IRS on paper or electronically. However:

- Employee statements must be furnished on paper unless an employee properly consents to electronic delivery;
- Returns must be filed with the IRS electronically if an ALE is filing 250 or more individual statements (Forms 1095-C) per calendar year; and
- The IRS encourages electronic filing for all other returns.

Electronic filing is performed using the ACA Information Returns (AIR) Program. [Pub. 5165, Guide for Electronically Filing ACA Information Returns for Software Developers and Transmitters \(Processing Year 2016\)](#) provides very detailed technical information regarding standards for software developers and transmitters that plan to facilitate this electronic reporting for calendar year 2015 returns through the AIR System.

To develop software for use with the AIR system, software developers, transmitters and issuers (providers filing their own Forms 1094-B and 1095-B under Section 6055) should use the guidelines provided in Pub. 5165, along with the Extensible Markup Language (XML) Schemas published on the [IRS website](#).

## HOW TO FURNISH EMPLOYEE STATEMENTS

In general, ALEs must furnish **paper** statements to all full-time employees. However, an ALE may furnish an employee statement electronically if it obtains the full-time employee's affirmative consent.

### *Paper Furnishing*

An ALE must furnish its paper statements to full-time employees via hand-delivery or by properly addressing and mailing them to the employees' last known permanent addresses. The statements must be delivered or mailed on or before the applicable due date.

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### *Electronic Furnishing*

An employee's affirmative consent for electronic delivery of a Section 6056 statement must meet specific requirements before the ALE may rely on the consent:

- An individual may provide the required consent for electronic delivery on paper or electronically (for example, by email).
- If the consent is on paper, the individual must also confirm the consent electronically.
- The consent must specifically identify each form.
- An employee's consent to receive a Form W-2 electronically may not be considered a consent to also receive the employee statement under Sections 6056 electronically.
- It is not sufficient for an entity to simply post the information on a website accessible to the individual or to provide the information only upon request.

These requirements help ensure that all employees are able to access their statements.

Once an ALE obtains proper consent from an individual, it may furnish the statement by email or by informing the individual how to access the statement on the employer's website.

## HOW TO FILE RETURNS WITH THE IRS

Although paper filing is permitted in some circumstance under Section 6056, the IRS encourages ALEs to file all of their returns **electronically** using the AIR system.

### *Electronic Reporting Requirement*

Any reporting entity that is required to file at least 250 individual statements (Forms 1095-C) per calendar year must file electronically.

#### **The 250-or-more requirement applies separately to:**

- Each type of individual statement (Forms 1095-C or Forms 1095-B); and
- Each type of corrected individual statement.

*The IRS Instructions for Forms 1094-C and 1095-C provide more information on how to furnish and file corrected forms.*

Entities filing fewer than 250 individual statements during the calendar year may choose to file in paper form, but are permitted (and encouraged) to file electronically.

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### *Waiver of the Electronic Reporting Requirement*

ALEs may request a waiver from the requirement to file returns electronically by submitting [Form 8508](#) at least **45 days** before the due date of the returns. Reporting entities cannot apply for a waiver for more than one tax year at a time, and must reapply at the appropriate time for each year in which a waiver is required. Any approved waivers should be kept for the reporting entity's records only. A copy of an approved waiver should not be sent to the service center where paper returns are filed.

If a waiver for original returns is approved, any corrections for the same types of returns will be covered under the waiver. However, if original returns are submitted electronically, but the reporting entity wants to submit corrections on paper, a waiver must be approved for the corrections if the reporting entity must file 250 or more corrections.

Without an approved waiver, a reporting entity that is required to file electronically but fails to do so may be subject to a penalty of up to \$250 per return, unless it can establish reasonable cause. However, reporting entities can file up to 250 returns on paper, and those returns will not be subject to a penalty for failure to file electronically.

### *Paper Filing*

If an ALE is filing **fewer than 250** Forms 1095-C, the ALE may file its returns with the IRS on paper as long as the returns comply with the specifications for private printing of substitute information returns found in [Pub. 5223](#).

In addition, an ALE that files its returns on paper must send the forms to the IRS:

- In a flat mailing (not folded);
- In conveniently sized packages; and
- Via First Class Mail.

On each package, the ALE must write its name and a sequential number. The ALE's Authoritative Transmittal Form 1094-C must be sent in package number one.

The mailing address to which an ALE filing by paper must send its returns depends on where the ALE's principal business, office or agency is located, and can be found in the [IRS Instructions for Forms 1094-C and 1095-C](#).

### *Corrected Forms*

If an ALE discovers an error in the returns it has filed with the IRS, the ALE should file a corrected return as soon as possible.

# CHAPTER 10: PENALTIES

## PENALTIES FOR SECTION 6056 REPORTING VIOLATIONS

An ALE may face penalties if it fails to satisfy its Section 6056 reporting obligations. These penalties are separate from the employer shared responsibility penalties.

The tax code contains the following penalty provisions:

**Code Section 6721:** Penalties for the failure to furnish information returns with the IRS

**Code Section 6722:** Penalties for the failure to furnish employee statements

In 2015, the penalty amounts under Sections 6721 and 6722 were increased for employee statements and returns that are due after Dec. 31, 2015.

Penalty Type	Per Violation	Annual Maximum	Annual Maximum for Employers with ≤\$5 Million in Gross Receipts
General	\$250	\$3 million	\$1 million
Corrected within 30 days	\$50	\$500,000	\$175,000
Corrected after 30 days, but before Aug. 1	\$100	\$1.5 million	\$500,000
Intentional disregard	\$500*	None	N/A

*\*For failures due to intentional disregard of the filing requirement, the penalty will be equal to the greater of either the listed penalty amount or 10 percent of the aggregate amount of the items required to be reported correctly.*

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Reporting penalties may be waived if an ALE's failure is due to reasonable cause and not to willful neglect. The penalties may be reduced if an ALE corrects a failure within a certain period of time. Also, lower annual maximums apply for ALEs that have average annual gross receipts of up to \$5 million for the most recent three taxable years.

In addition, a reporting entity that is required to file electronically but fails to do so may be subject to a penalty of up to \$250 per return, unless the IRS has approved a request for a waiver of the electronic filing requirement or the reporting entity can establish reasonable cause for failing to file electronically.

However, reporting entities can file up to 250 returns on paper; those returns will not be subject to a penalty for failure to file electronically.

### *Short-term Relief from Penalties for 2015 Reporting Failures*

The IRS has provided short-term relief from penalties to give ALEs additional time to develop appropriate procedures for data collection and compliance with the new Section 6056 reporting requirements.

For returns and statements filed and furnished in 2016 to report coverage in 2015, the IRS will **not** impose penalties on reporting entities that can show they made good faith efforts to comply with the reporting requirements.

This relief is only for incorrect or incomplete information reported on the return or statement, including Social Security numbers, Tax Identification Numbers or dates of birth.

No relief is provided for ALEs that do not make good faith efforts to comply with the reporting requirements or that fail to file an information return or furnish an employee statement on time.

ALEs that do not comply with the extended due dates for 2015 reporting will be subject to penalties under Code Section 6721 or 6722. However, ALEs that do not meet the extended due dates are still encouraged to furnish and file their returns and statements, and the IRS will take this furnishing and filing into consideration when determining whether to decrease penalties for reasonable cause.

The IRS will also take into account:

- Whether an ALE made reasonable efforts to prepare for reporting, such as gathering and transmitting the necessary data to an agent to prepare the data for submission to the IRS or testing its ability to transmit information to the IRS; and
- The extent to which the ALE is taking steps to ensure that it is able to comply with the reporting requirements for 2016.

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**Thank you for using the 6056 Employer Reporting Guide**

Please contact us if you have questions regarding the information in this guide or need assistance with other aspects of the Affordable Care Act's reporting requirements.

**The Alpha Group**