

# ACA Employer Reporting Guide

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**A practical guide to understanding the  
ACA 1094 and 1095 employer reporting requirements**

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# Introduction to ACA Employer Reporting

## Background

Certain employers, plan sponsors, and insurers are required to report health plan information and participant coverage data to the IRS. The IRS uses this information to administer and regulate various aspects of the Affordable Care Act (ACA), including an individual's eligibility for a premium tax credit when purchasing health insurance through a public Marketplace and the §4980H employer shared responsibility rules.

### Timing of Reporting

Employer reporting is required annually and is done early in the year for the previous calendar year. Reporting is always based on calendar year data regardless of the employer's plan year. Annual employer returns must be mailed to the IRS by the last day of February (March 1, 2021 because February 28 is a Sunday); the deadline is extended to March 31, 2021 if the forms are filed electronically. Corresponding employee and participant statements must be provided by March 2, 2021. These deadlines are similar to those that apply to employer W-2 reporting.

### Who Must Report?

All "applicable large employers" (ALEs) as defined by the ACA (generally those with at least 50 full-time equivalents (FTEs)) are required to comply with some portion of the reporting requirements. ALEs who sponsor self-funded group health plans are subject to additional individual participant coverage reporting. When multiple employers are part of an aggregated employer group (according to §414 Controlled Group and Affiliated Service Group rules), ALE status is based on the total number of FTEs across all employers who are members of the aggregated group. All separate employers who are members of an aggregated ALE group with 50 or more FTEs must report even if the particular member employer would not be considered an ALE on its own.

Small employers who do not meet the definition of an ALE (and are not part of an aggregated ALE group) must report participant coverage information to the IRS if they sponsor a self-funded group health plan. However, small employers who offer only fully-insured plans, or no coverage at all, are not subject to the reporting requirements. Health insurance companies will report individual participant coverage details to the IRS for fully-insured plans.

### Electronic Submission

Employers who file 250 or more Form 1095s must file the returns electronically. The 250-or-more requirement applies separately to each type of information return. For example, an employer who files 200 W-2s and 150 1095s would not be required to file either electronically. The requirement also applies separately to corrections; so if an employer is filing fewer than 250 corrections, electronic reporting of such corrections is not required. The IRS developed *Pub. 5165, Affordable Care Act (ACA) Information Returns (AIR) Guide for Software Developers and Transmitters*, which outlines the communication procedures, transmission formats, business rules, and validation procedures for returns filed electronically. However, most employers do not directly file electronically with the IRS; most use the services of a vendor or use payroll or reporting software that handles the electronic transmittal to the IRS on their behalf.

### Format for Reporting

In general, the reporting process works in much the same way as current W-2 reporting. A Form 1095-C or 1095-B is prepared for each full-time employee and/or covered participant to send to the IRS, with a copy

provided to the employee/participant. The exact information required to be provided to the IRS depends on a number of factors. Of particular relevance is whether the employer plan is self-funded or fully-insured.

In addition to providing a Form 1095 for each full-time employee and covered individual, employers must file with the IRS at least one Form 1094-C or 1094-B that provides summary employer and plan information.

The following table outlines which parts of each form apply based on the type of employer and the plans offered. Note that an ALE who offers both a fully-insured and a self-funded plan to employees will complete different portions of Form 1095-C, depending on which plan the individual selected.

	<b>Applicable Large Employer Fully-Insured Plan</b>	<b>Applicable Large Employer Self-Funded Plan</b>	<b>Small Employer Self-Funded Plan</b>
<b>1095-C</b>	Part I – Employee & Employer Info  Part II – Offer of Coverage (eligibility) Info (§6056)	Part I – Employee & Employer Info  Part II – Offer of Coverage (eligibility) Info (§6056)  Part III – Info on Covered Individuals (§6055)	
<b>1094-C</b>	Parts I & II – Employer Info  Part III – Monthly Employer Plan Info (§6056)	Parts I & II – Employer Info  Part III – Monthly Employer Plan Info (§6056)	
<b>1095-B</b>		Self-funded employers may use 1095-B instead of the "C" forms to report covered "non-employees" (Retirees, COBRA, etc.) (§6055)	Parts I, II, III – Employer Info  Part IV – Info on Covered Individuals (§6055)
<b>1094-B</b>		Self-funded employers may use 1094-B instead of the "C" forms to report covered "non-employees"	Employer Info (No plan or eligibility information required)

### Consequences for Failure To Report

The 2020 penalty for failure to file, filing late, or filing incorrect information with the IRS is \$280 per form up to \$3,392,000. The penalty may double if there is also a failure to provide copies of Form 1095s to full-time employees and covered individuals. The penalty is reduced to \$50 per form if correct forms are submitted within 30 days of the reporting deadline, and \$100 per form if correct forms are submitted by August 1 of the year in which the filing is due.

There is currently some forgiveness available to those who may make mistakes and it's clear that a good faith effort was made to comply. While this relief does not extend to failure to timely file with the IRS and distribute copies, penalties may be waived if a failure to timely report and distribute copies is due to reasonable cause (i.e. significant mitigating factors or events beyond the employer's control). On the other hand, additional penalties may be imposed if there is a finding of intentional disregard.

## How to Use This Guide

This guide contains instructions, examples, and practical hints employers can use to comply with applicable reporting requirements and is designed to assist employer plan sponsors in understanding those requirements. It does not address reporting requirements that apply to health insurance companies or state or federal health insurance Marketplaces.

Many employers will use a third-party vendor such as a benefits administration provider, payroll vendor, or HRIS system to assist with reporting requirements. The problem many employers face is that in most cases, no single vendor or system contains all the information necessary to complete the reporting. Therefore, it may be necessary to share information between systems or to import data into the system chosen to track information for reporting purposes.

To help employers understand the reporting process at a higher level, we have intentionally omitted some of the more specific rules that apply to various situations. The IRS has published detailed line-by-line instructions for all versions of Forms 1094 and 1095. Employers should use this guide as a companion to official IRS instructions, which should be consulted for more information regarding specific reporting details.

Employers may find it useful to have a copy of the IRS instructions and copies of the actual 1094-C and 1095-C for reference purposes when reviewing this guide. The latest versions, instructions, and additional information can be found on the IRS website at:

<https://www.irs.gov/forms-pubs/about-form-1095-c> and <https://www.irs.gov/forms-pubs/about-form-1094-c>

## Section 1 – Understanding the 1095

### 1095 Overview

ALEs must provide a 1095 (or alternative statement if applicable—see details below) to any employee who was employed full-time for any month during the calendar year. A 1095 must also be provided to any individual (including non-employees) who participated in a self-funded employer-sponsored plan during the year. For employees who are part-time all year and not covered under a self-funded plan, no reporting is required.

- The 1095-C is used by ALEs for all full-time employees and for any non-full-time employee or non-employee covered by an ALE's self-funded plan.
- The 1095-B is used by small (non-ALE) employers who sponsor self-funded plans, and can optionally be used by ALEs to report for non-employees (such as retirees, COBRA participants, non-employee owners or board members, etc.) covered by the ALE's self-funded plan.

ALEs use the 1095-C for most reporting purposes, so this guide will focus on the 1095-C requirements. ALEs who offer self-funded coverage to non-employees (who choose to use the 1095-B) and small employers with self-funded plans should refer to IRS 1095-B instructions.

The 1095-C contains three parts, but not all employers must complete all three parts. The specific information required depends on whether the plan is fully-insured or self-funded.

#### Form 1095-C Parts

Part I – Basic employee and employer information including names, taxpayer ID numbers, address, contact information, etc.

Part II – Used to report the plan year, offers of coverage, employee contribution requirements, and employer safe harbors (applicable to that employee) for each month of the calendar year.

Part III – Used to provide monthly details on covered individuals (including spouses and dependents) covered by the self-funded plan during the calendar year. Data includes name, SSN (or DOB if SSN is not available), and an indication of the calendar months for which the individual was covered by the self-funded plan.

#### Which parts of the 1095-C do employers have to complete?

- ALEs who sponsor fully-insured plans must complete Parts I and II of the 1095-C, but are not required to complete Part III (which details the coverage provided on a monthly basis). The carrier providing the fully-insured coverage will report to the IRS and issue a separate 1095-B to covered individuals containing the coverage-related information.
- ALEs who sponsor self-funded plans are required to fill out Parts I & II for all full-time employees, and all three parts (I, II, and III) of the 1095-C for individuals who are covered by a self-funded plan.
- ALEs who sponsor both fully-insured and self-funded plans are required to fill out Parts I & II for all full-time employees, and Part III only for individuals who are covered by a self-funded plan.

### 1095-C Parts I and II

Much of the information required in Part I of the 1095-C is basic employer and employee information such as address, contact information, EIN, etc., and it is not difficult for employers to complete this section.

However, Part II is more challenging for many employers in that it requires employers (or their vendors) to develop the systems and processes necessary to keep track of employee-related information on a month-by-month basis.

There is a box in the beginning of Part II that asks for the employee's age as of January 1, 2020 and for the plan start month. Reporting of the employee's age is required only if the employee was offered an individual coverage HRA (ICHRA). However, the plan start month for the employer's health plan must be reported on all 1095-Cs.

### Qualifying Offer of Coverage

One concept employers must understand to properly complete the 1095-C is the "qualifying offer." A qualifying offer is made if an employer offers the employee minimum value (MV) coverage, with a cost to the employee for single coverage of less than 9.5% (indexed annually—9.66% for 2016, 9.69% for 2017, 9.56% for 2018, 9.86% for 2019, and 9.78% in 2020) of the current mainland federal poverty line (FPL) for an individual. In 2020 this works out to be approximately \$102 per month (the FPL is adjusted every year, so this monthly number will vary each year). An employer must also offer at least minimum essential coverage (MEC) to spouses and children.

A qualifying offer simplifies reporting in two ways for the employer:

1. The employer does not need to provide the amount of the lowest cost coverage available to that employee in Line 15, and use of any of the safe harbor codes on Line 16 is optional.
2. If offered for all 12 months and the employee is not covered under a self-funded plan, the employer may provide the employee with an alternative statement instead of a copy of the 1095-C. However, this may be of limited value to most employers since the 1095-C must still be provided to the IRS.

## **Completing Lines 14, 15, 16 and 17**

### Line 14 – Offer of Coverage

Employers must use one of the IRS defined codes to report on Line 14 the type of offer of coverage made to the employee. There must be a code for each of the 12 months regardless of whether the individual was employed for all 12 months or was offered coverage. If one code applies for the entire 12 months, the code may be entered once in the "all 12 months" column, or, alternatively, can be entered in the column for each of the 12 months separately. Nothing on Line 14 signifies whether an employee actually elected coverage. This line represents only whether an offer of coverage was made.

The following chart lists the available codes. There are several new codes for 2020 reporting to indicate an offer of an individual coverage HRA (ICHRA).

Note—An offer of coverage is valid for the month only if coverage is available for every day during that month.

Code	Description
1A	Qualifying offer of coverage – MV coverage offered to Employee at a cost for single coverage of less than 9.5% (indexed annually—9.78% for 2020) of FPL (approx. \$102/mo in 2020), and at least MEC is offered to Spouse and Children
1B	Offer of MV coverage to Employee only
1C	Offer of MV coverage to Employee + at least MEC offered to Dependent (but not Spouse)
1D	Offer of MV coverage to Employee + at least MEC offered to Spouse (but not Dependents)
1E	MV coverage offered to Employee + at least MEC offered to Spouse & Dependents
1F	MEC that is not MV offered to Employee
1G	Self-funded plan offered to part-time Employee or Non-Employee
1H	No offer of coverage
1I	Reserved
1J	Offer of MV to Employee + at least MEC conditionally offered to Spouse (but not Dependents)
1K	Offer of MV to Employee + at least MEC offered to Dependents + at least MEC conditionally offered to Spouse
1L	Individual coverage HRA (ICHRA) offered to Employee only with affordability determined by using Employee's primary residence
1M	Individual coverage HRA (ICHRA) offered to Employee and Dependent (but not Spouse) with affordability determined by using Employee's primary residence
1N	Individual coverage HRA (ICHRA) offered to Employee, Spouse & Dependent with affordability determined by using Employee's primary residence
1O	Individual coverage HRA (ICHRA) offered to Employee only with affordability determined by using Employee's primary site of employment
1P	Individual coverage HRA (ICHRA) offered to Employee and Dependent (but not Spouse) with affordability determined by using Employee's primary site of employment
1Q	Individual coverage HRA (ICHRA) offered to Employee, Spouse & Dependent with affordability determined by using Employee's primary site of employment
1R	Individual coverage HRA (ICHRA) offered that is not affordable
1S	Individual coverage HRA (ICHRA) offered to part-time Employee or Non-Employee
1T – 1Z	Reserved

## Line 15

If an employer offered MV coverage to the employee and the employer is not using the qualifying offer method for reporting (i.e. code 1A on Line 14), Line 15 must be completed. In other words, if on Line 14 the employer uses code 1B, 1C, 1D, 1E, 1J, 1K, 1L, 1M, 1N, 1O, 1P or 1Q, Line 15 must be completed. If the employer entered code 1A on Line 14, then nothing should be included on Line 15 since 1A indicates that the employer offered the employee a MV plan that cost less than 9.5% (indexed annually—9.78% in 2020) of FPL.

Line 15 should reflect the amount the employee must contribute to enroll in single MV coverage. The employee contribution is determined differently depending upon whether the employee is offered a traditional group medical plan or an individual coverage HRA (ICHRA).

### Employee Contribution for a Traditional Group Medical Plan

The employer should enter the amount of the employee's share of the lowest-cost monthly premium for self-only MV coverage that was offered to the employee (single coverage). If an employee was offered more than one plan option, the employer should use the lowest-cost plan offered to the employee, not the plan the employee actually chose. When the employee contribution varies by employee (e.g. age-banded rates, different contributions by class, or determined by the employee's salary), it is necessary to calculate the employee contribution that applies separately for each full-time employee and report accordingly.

To determine the monthly employee contribution, an employer may divide the total employee contribution for single coverage for the plan year by the number of months in the plan year. For example, if the plan year begins January 1, the employer may determine the amount to report for each month by taking the total annual employee contribution for single coverage for all 12 months and dividing by 12. If the plan year begins April 1, the employer may determine the amount to report for January through March 2020 by taking the total annual employee contribution for the plan year ending March 31, 2020 and dividing by 12; and the amount to report for April through December 2020 may be determined by taking the total annual employee contribution for the plan year ending March 31, 2021 and dividing by 12.

It is also necessary to consider the following factors when calculating the employee contribution:

- HSAs – Contributions to a health savings account (HSA) do not affect the employee contribution.
- HRAs – Employer funding of a health reimbursement arrangement (HRA) is typically not available to reimburse medical premiums (the HRA is more often designed to offset plan cost-sharing). When the HRA is not available to reimburse medical premiums, the HRA funding may count toward determining MV, but does not impact (or reduce) the employee contribution for purposes of determining affordability.
- Flex Credits – Flex credits (or defined contributions) restricted to health coverage (e.g. medical, dental, vision, health FSA or HSA) will decrease the employee contribution; but flex credits that can be used for non-health coverage do not decrease the employee contribution.
  - For example, if the employer makes \$300/month available via flex credits and the employee's cost for single medical coverage is \$500/month:
    - If the flex credit may be used only toward the medical, dental or vision premiums, or contributed to a health FSA or HSA, the monthly employee contribution for affordability purposes is \$200 (\$500 - \$300).
    - However, if in addition to the options mentioned above, the employee may use the \$300 toward life, disability, DCAP or taken as cash, the monthly employee contribution for affordability purposes is \$500.

- Opt-Out Credits – If the employee has the option to either receive coverage or receive an amount as taxable cash (an opt-out or waiver incentive), this cash option may increase the employee contribution if the opt-out credit is “unconditional” (i.e. available to all those who opt out of medical coverage rather than being limited to those who are enrolled in other group health coverage). For example, when the employee cost for health coverage is \$75 per month, but there is an unconditional opt-out credit of \$50 per month if coverage is waived, the employee contribution for affordability purposes is \$125 (\$75 + \$50). Transition relief is available to unconditional opt-out arrangements that were in place prior to December 16, 2015.
- Wellness Incentives – Affordability is determined assuming the individual fails to satisfy any wellness requirements, UNLESS it is tobacco-related. For example:
  - If the required employee contribution for the month is \$200 and the potential wellness incentive (not tobacco-related) reduces the cost to \$150, coverage is “affordable” so long as \$200 (not \$150) does not exceed 9.78% (in 2020) of the employee’s household income.
  - If the required employee contribution for the month is \$200 and the potential wellness incentive (tobacco-related) reduces the cost to \$130, coverage is “affordable” so long as \$130 (not \$200) does not exceed 9.78% (in 2020) of the employee’s household income.

#### Employee Contribution for an Individual Coverage HRA (ICHRA)

An ICHRA that is “affordable” will automatically be considered MV so long as the ICHRA is available to reimburse individual health coverage and Medicare premiums (not just qualifying medical expenses other than premiums).

The affordability of an ICHRA is tied to the lowest cost silver plan available on the public Marketplace, which will vary by the employee’s age and location. The employee contribution is the excess of the monthly premium for the lowest cost silver plan over the monthly ICHRA amount (i.e. lowest cost silver plan – monthly ICHRA amount). To make it easier to determine affordability, the IRS provided several safe harbors:

- Age – Affordability can be based on the employee’s age on the first day of the plan year, or when the employee is first eligible for the ICHRA, to avoid having to make adjustments in accordance with age changes during the plan year. For a non-calendar year plan, affordability may be determined using a different age from what is listed at the beginning of Part II of the 1095-C.
- Location – The employer may choose to use the lowest cost plan available where the employee resides or the employee’s primary site of employment. An employee’s primary site of employment is the location at which the employer reasonably expects the employee to perform services, which may be the employee’s residence if the employee does not have a particular assigned office space or a worksite to which to report.
- Look-Back Month – An employer with a calendar year plan may use the monthly premium for the lowest cost silver plan for January of the prior calendar year. An employer with a non-calendar year plan may use the monthly premium for the lowest cost silver plan for January of the current calendar year. The agencies have promised to provide employers with access to location-specific lowest cost silver plan premium data on a month-by-month basis.
- Non-Tobacco Rates – As with traditional group health plans, affordability is based on plan premiums applicable to non-tobacco users.

## Line 16

Employers may use one of eight codes to report additional information about the status of employees on Line 16. This line does not always have to be completed; the employer enters a code only if one applies to the employee for that particular month. The purpose of this line is to provide the IRS with additional information that will help the agency more accurately assess liability for employer shared responsibility payments and individual tax liability.

Code	Description
2A	Employee not employed any day that month
2B	Employee part-time or coverage not offered for the entire month due to termination of employment
<b>2C</b>	<b>Employee enrolled in coverage</b> – Spouse and Dependent enrollment is not relevant; it is used to report the Employee’s enrollment only (use this code before any codes other than 2E)
2D	Limited non-assessment period (e.g. waiting period or initial measurement period)
2E	Multiemployer/union plan interim rule relief (an Employer taking advantage of the multiemployer transition relief uses this code in place of all other codes)
2F	Employer using the Form W-2 affordability safe harbor
2G	Employer using the Federal Poverty Line (FPL) affordability safe harbor
2H	Employer using the Rate of Pay affordability safe harbor
2I	Reserved

### Additional Line 16 guidance:

- If an employee elected coverage for the month, the employer must use code 2C (enrolled in coverage) even if other codes may also apply.
- If the employee was offered coverage and waived, enter the applicable affordability safe harbor code (i.e. 2F, 2G, or 2H), or leave it blank if none apply. There is no specific code to indicate a waiver of coverage. Line 16 is left blank when a full-time employee is offered coverage but does not participate in the plan and the employer is not using any of the affordability safe harbors or the multiemployer plan interim rule relief.
- If the employer is using code 1A on Line 14, use of any applicable code on Line 16 is optional (not necessary).
- ALEs that have union employees are required to report on any such employees that are full-time. For any month in 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), the employer should use code 1H on Line 14. Code 1H may be used regardless of whether the employee was eligible to enroll in coverage under the

multiemployer plan. To take advantage of the multiemployer interim rule relief, the employer must obtain assurance from the plan administrator that the plan offered provides MV and is affordable.

### Line 17

An ALE who offers an ICHRA to an employee must complete Line 17 on the employee's 1095-C. If the employee was not offered an ICHRA, Line 17 should be left blank. The zip code entered on Line 17 should reflect the zip code used by the employer to determine affordability:

- Enter the ZIP code of the employee's residence if Code 1L, 1M, or 1N is used for Line 14.
- Enter the ZIP code of the employee's primary site of employment if Code 1O, 1P, or 1Q is used for Line 14.

### **1095-C Part III (for employers offering self-funded health coverage)**

ALEs who sponsor a self-funded health plan are also required to complete Part III of the 1095-C for all employees (full-time and part-time) who were covered by the self-funded plan for any month during the year. For this purpose, the IRS clarified that an ICHRA is a self-funded group health plan subject to coverage reporting requirements. Part III must also be completed for any non-employee individuals who are covered by the self-funded plan. Part III is not completed for individuals who are covered by a fully-insured plan. Insurance carriers will provide these covered individuals with a separate 1095-B coverage statement.

Part III is used by employers to report coverage-related information for all covered individuals, including employees, non-employees, spouses, and dependents. However, each covered individual does not receive his or her own 1095; rather, a 1095 is generally provided to the primary subscriber or responsible individual (e.g. the employee) and then the dependents are listed on the same form. For each individual covered by the self-funded plan, the employer must provide the following data:

- Name;
- SSN (DOB may be used if SSN is not available, subject to rules described below); and
- Indication of whether the individual had coverage in any self-funded employer-sponsored MEC plan for each calendar month.

### Other Part III Details

- The employer should check the coverage box if an individual is covered for at least 1 day during the month.
- Employers must show that a reasonable attempt was made to acquire the SSNs of all covered individuals, including spouses and dependents before using the DOB as an alternative. The IRS provided guidance on demonstrating that a reasonable attempt to acquire the SSN has been made. Employers should familiarize themselves with this guidance before choosing to use the DOB in column (c). Below is a high-level summary of the requirements to establish reasonable cause (the process differs slightly for missing versus incorrect information):

For a **missing TIN/SSN**, the following 3 steps are required:

1. Make an initial solicitation at the individual's first enrollment (i.e. application for coverage submitted).
2. If the first solicitation is unsuccessful, make a second solicitation within 75 days of the initial solicitation.
3. If the second solicitation is unsuccessful, make a third solicitation by December 31 of the following year.

If the employer is not able to obtain a TIN/SSN using the above process, a DOB may be used instead, at least for spouses and dependents. However, the employer should maintain documentation showing that such process was followed.

For an **incorrect TIN/SSN** (typically discovered when the reporting is submitted and then returned with an error), the following three steps are required:

1. Make an initial solicitation at the individual's first enrollment (i.e. application for coverage submitted).
2. Assuming the initial solicitation took place and resulted in incorrect information, make a second solicitation by December 31 of the year in which the error is discovered.
3. If the second solicitation is unsuccessful, make a third solicitation by December 31 of the year following the first solicitation.

If at any point the employer discovers correct information, the 1095 should be corrected as soon as possible. But if the employer follows the process and is unable to obtain better information, there is nothing further to do, other than to internally document the process for audit purposes.

### **Alternative Statement**

An employer who makes a qualifying offer (see above) to an employee for all 12 months of the calendar year may provide an alternative statement in lieu of a copy of the 1095 to the employee. The employee alternative statement must include:

- Employer name, address, EIN, and contact information;
- A statement that for all 12 months the employee received a qualifying offer and therefore is not eligible for a premium tax credit when purchasing individual health insurance through a public Marketplace; and
- A statement directing the employee to see Pub. 974, Premium Tax Credit (PTC), for more information about eligibility for the premium tax credit.

Practically, however, the alternative statement may be of little value to most employers. Even if the employer meets this requirement, the employer must still provide a 1095 to the IRS. Also, the alternative statement may not be used for those who enrolled in the employer's self-funded plan. It is often easier for employers to simply provide a copy of the 1095 to all applicable employees, and there was very little use of the alternative statement option among employers reporting for 2015-2019.

## Section 2 – Understanding the 1094-C

### 1094-C Overview

In addition to sending 1095s to the IRS for all full-time employees and covered individuals, employers are also required to submit at least one 1094. It may be helpful to think of the 1094 as the “cover sheet” to the 1095s the employer is submitting to the IRS. The 1094-C is used by most ALEs to report summary information to the IRS and to transmit the employer’s 1095-Cs to the IRS. The simpler 1094-B is generally used by small employers (who are not ALEs) who sponsor a self-funded health plan. This guide does not specifically address the 1094-B. More information can be found on the IRS website at <https://www.irs.gov/forms-pubs/about-form-1095-b>.

### Form 1094-C Parts

The 1094-C has four parts that must be completed by the employer.

Part I – Basic employer information, including name, EIN number, address, contact information, etc.

Part II – Additional information on the employer, including:

- Total number of 1095s filed on behalf of the employer (Line 20);
- Indication of whether the employer is part of an aggregated ALE group based on §414 Controlled Group and Affiliated Service Group rules (Line 21); and
- Certification by the employer that it met certain offer of coverage requirements (Line 22). The employer checks any box in this line that applies to the employer. The employer is not required to check any of the boxes, or may check more than one if applicable. Checking one or more boxes allows the employer to take advantage of some simplified reporting methods.
  - A. Qualifying Offer Method – The employer made a qualifying offer of coverage to one or more employees for all months during the year in which the employee was a full-time employee to whom a §4980H penalty could apply (i.e. offered an MV plan at a cost to the employee for single coverage of less than 9.5% (indexed annually—9.78% in 2020) of FPL). This method:
    - a. Allows the employer to use code 1A on Line 14 and to skip completing Line 15. Completion of Line 16 is optional.
    - b. Allows the employer to use an alternative statement for any employees that received a qualifying offer for all 12 months so long as they were not enrolled in a self-funded plan.
  - B. Reserved – Not used for 2020 reporting.
  - C. Reserved – Not used for 2020 reporting because no further §4980H transition relief is available.
  - D. 98% Offer Method – The employer offered an MV plan to at least 98% of employees for whom a 1095-C is being filed that was affordable based on any of the affordability safe harbors (i.e. Form W-2, rate of pay, or FPL), and at least MEC was offered to the employees’ dependents. This method:
    - a. Allows the employer to skip providing the number of full-time employees in Part III column (b) of the 1094-C.
    - b. Allows the employer to report on all employees receiving a 1095-C without designating who is full-time and who is part-time (advantageous for employers who offer coverage to part-time employees). A 1095-C is still required for any employee who met the definition of full-time, so an employer should verify for any employee that is not receiving a 1095-C that the employee was truly part-time.

Part III – This section is used to report aggregate employer information for each month of the calendar year, including:

- Column (a) – Whether the employer offered MEC to substantially all (i.e. 95%, or all but 5, if greater) full-time employees and their dependents (children) for each month in the calendar year.
- Column (b) – The total number of full-time employees for each month.
  - The number of full-time employees is determined based on IRS guidance; it will depend on the method the employer uses to define “full-time” for §4980H purposes. In general, §4980H defines a full-time employee as an employee with at least 130 hours of service in a month, but employers may also choose to use the look-back measurement method, allowing hours of service to be averaged over 3-12 months.
- Column (c) – Total employees (both full-time and part-time) employed for each month.
  - The employer may pick either the first or the last day of the month, the first or the last day of the first payroll period for the month, or the 12th day of the month to report total employees.
- Column (d) – An indication of whether the employer was part of an aggregated ALE group based on the §414 Controlled Group and Affiliated Service Group rules for each month. This needs to be completed only if the employer marked “yes” on Line 21.
- Column (e) – Reserved. This was used for §4980H transition relief, which is no longer available.

Part IV – An employer who is part of an aggregated ALE group must list other employer members of the group in Part IV (name and EIN). Only ALE members with at least 1 full-time employee must be listed. ALEs that are not part of a larger aggregated ALE group should leave Part IV blank.

### **Other 1094-C Reporting Issues**

- Employers may provide the IRS with a single 1094 in conjunction with all 1095s provided to the IRS, or they may attach multiple 1094s – for example, for each department or division. If separate 1094s are submitted with the 1095s, the employer must identify one 1094 as the employer’s “authoritative transmittal” on Line 19 and provide the total count of 1095s on Line 20. Parts II, III, and IV of the 1094 are completed only on the authoritative transmittal.
- Each employer (each EIN) who is a member of an aggregated ALE group is responsible for submitting a separate 1094 authoritative transmittal and reporting for the employees of that particular employer.

## Section 3 – IRS Reconciliation with §4980H Requirements

ALEs self-report via the 1094-C and 1095-Cs whether coverage was offered in accordance with §4980H requirements (the “employer mandate”). The IRS will consider the employer’s reporting alongside the list of employees who received subsidized coverage from a public Marketplace.

- If an ALE indicates on its 1094-C that MEC was NOT offered to substantially all full-time employees for each month of the calendar year (in Part III, Column (a)) and the IRS finds at least one full-time employee received subsidized coverage from a public Marketplace, the IRS will assess a penalty under §4980H(a).
- If an ALE indicates via coding on an employee’s 1095-C (Lines 14-17) that a full-time employee was not offered affordable MV coverage and the IRS finds that same employee received subsidized coverage from a public Marketplace, the IRS will assess a penalty under §4980H(b) if the employer is not already subject to a penalty under §4980H(a) for the month.

If the IRS finds that a penalty is owed, the IRS will send the employer a Letter 226J proposing an assessment and offering an opportunity to appeal. Here is a link to the IRS information page describing the Letter 226J - <https://www.irs.gov/individuals/understanding-your-letter-226-j>.

Employers have 30 days to either pay the proposed assessment or appeal. It is possible to call or fax the IRS and request an extension if needed. Oftentimes there are misunderstandings as to offer of coverage requirements and mistakes in handling the reporting requirements. We strongly recommend that employers work with their benefit advisors in responding to IRS Letter 226J. You can also visit our support website for more information and assistance in appealing any proposed assessments – [www.226jsupport.com](http://www.226jsupport.com).

# Appendix A – 1095-C Examples

The following section contains a number of 1095-C examples for various situations, including new hires, termination of employment, reduced hours, no benefits offered, union employees, COBRA, and switches in plan funding.

Assume a calendar year group health plan for all of the examples.

**New Hire Example 1**  
 Employee hired as full-time in mid-February and eligible for coverage May 1  
 Offered fully-insured minimum value coverage that cost \$110/month for employee-only coverage  
 Employee enrolled in the coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01	
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1E									
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage						\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2D	2D	2D	2C									
17 Zip Code															

**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
18															
19															
20															
21															
22															
23															

**New Hire Example 2**  
 Employee hired as full-time May 18 and eligible for coverage May 18  
 Employee, spouse and dependents offered an individual coverage HRA (ICHR) that provided \$300/month for reimbursement of insurance premiums for the single tier of coverage  
 Employee was 38 years old as of Jan 1 and employer used employee's primary site of employment in MN to determine affordability (lowest silver cost plan = \$425/month)  
 Employee's cost of coverage was \$125 (\$425 - \$300), and employee, spouse and dependents enrolled in the coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1: 38												Plan Start Month (enter 2-digit number): 01	
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1H	1Q								
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage							\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2A	2A	2A	2D	2C								
17 Zip Code							55311	55311	55311	55311	55311	55311	55311	55311	

**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	
18 John Doe	123-45-6789								X	X	X	X	X	X	X	X
19 Jane Doe	987-65-4321								X	X	X	X	X	X	X	X
20 Joey Doe	789-12-3456								X	X	X	X	X	X	X	X
21 Jill Doe	456-78-9123								X	X	X	X	X	X	X	X
22																
23																

**New Hire Example 3**

Employee hired as variable hour in mid-July of the previous calendar year, determined to be full-time during the 12-month initial measurement period and eligible for coverage in September  
 Offered self-funded minimum value coverage that cost \$75/month for employee-only coverage (considered a "qualifying offer")  
 Employee, spouse and children enrolled in the coverage (NOTE - It would also be okay to leave Line 16 blank when using Code 1A on Line 14)

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01			
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec			
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1H	1H	1H	1H	1H	1A	1A	1A	1A			
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage																	
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2D	2D	2D	2D	2D	2D	2D	2D	2D	2C	2C	2C	2C			
17 Zip Code																	

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789												X	X	X	X
19 Jane Doe	987-65-4321												X	X	X	X
20 Joey Doe	789-12-3456												X	X	X	X
21 Jill Doe	456-78-9123												X	X	X	X
22																
23																

**New Hire Example 4**

Employee hired as full-time March 1, but not offered coverage  
 Line 16 is blank other than January and February because no safe harbor codes apply

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01			
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec			
14 Offer of Coverage (enter required code)	1H																
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage																	
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2A	2A														
17 Zip Code																	

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Ongoing Employee Example**

Full-time employee offered fully-insured minimum value coverage that cost \$127/month for employee-only coverage (affordable under the Form W-2 safe harbor)  
 Employee waived the coverage  
 (NOTE: It would also be correct to enter 1E and 2F separately for each of the 12 months rather than in the "All 12 Months" box)

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01		
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec	
14 Offer of Coverage (enter required code)	1E															
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$127.00															
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2F															
17 Zip Code																

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Termination Example 1**

Full-time employee terminated from employment on June 13 (offer of coverage continued through the end of June)  
 Offered self-funded minimum value coverage that cost \$105/month for employee-only coverage  
 Employee and spouse enrolled in the coverage and then elected COBRA continuation coverage upon termination of employment

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01		
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec	
14 Offer of Coverage (enter required code)	1E	1E	1E	1E	1E	1E	1E	1H	1H	1H	1H	1H	1H	1H	1H	1H
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00									
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C	2C	2C	2C	2C	2C	2C	2A	2A	2A	2A	2A	2A	2A	2A	2A
17 Zip Code																

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789		X													
19 Jane Doe	987-65-4321		X													
20																
21																
22																
23																

**Termination Example 2**

Full-time employee terminated from employment on June 13 (offer of coverage ended June 13)  
 Offered self-funded minimum value coverage that cost \$65/month for employee-only coverage (considered a "qualifying offer")  
 Employee waived coverage (NOTE - It would also be okay to leave Line 16 blank for January thru May when using Code 1A on Line 14)

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	
14 Offer of Coverage (enter required code)	1A	1A	1A	1A	1A	1A	1H	1H	1H	1H	1H	1H	1H	1H
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage														
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2G	2G	2G	2G	2G	2G	2B	2A	2A	2A	2A	2A	2A	2A
17 Zip Code														

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Termination Example 3**

Employee part-time January - March, full-time April and May, part-time June and July, full-time August - October, terminated November  
 Not offered coverage and employer used the monthly measurement method to determine full-time status

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	
14 Offer of Coverage (enter required code)	1H													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage														
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2B	2B	2B				2B	2B					2A	2A
17 Zip Code														

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Reduced Hours Example 1 - Monthly Measurement Method**

Full-time employee changed to part-time status May 1 (offer of coverage terminates end of April)

Offered self-funded minimum value coverage that cost \$105/month for employee-only coverage

Employee, spouse and children enrolled in the coverage and then elected COBRA continuation coverage which cost \$425/month for employee-only coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)	1E													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$105.00	\$105.00	\$105.00	\$105.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C													
17 Zip Code														

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789		X													
19 Jane Doe	987-65-4321		X													
20 Joey Doe	789-12-3456		X													
21 Jill Doe	456-78-9123		X													
22																
23																

**Reduced Hours Example 2 - Monthly Measurement Method**

Full-time employee changed to part-time status as of May 1 (offer of coverage terminated end of April)

Offered self-funded minimum value coverage to employee, spouse and children that cost \$105/month for employee-only coverage

Employee enrolled in single coverage and then waived COBRA continuation coverage which cost \$425/month for employee-only coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)	1E	1E	1E	1E	1E	1B								
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$105.00	\$105.00	\$105.00	\$105.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C	2C	2C	2C	2C	2B								
17 Zip Code														

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789			X	X	X	X									
19																
20																
21																
22																
23																

**Reduced Hours Example 3 - Look-Back Measurement Method**

Full-time employee is changed to part-time status as of May 1, but offer of coverage continued through December (employee considered full-time all year due to stability period)  
 Offered fully-insured minimum value coverage that cost \$135/month for employee-only coverage  
 Employee, spouse and children enrolled in the coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01	
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec
14 Offer of Coverage (enter required code)	1E														
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$135.00														
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C														
17 Zip Code															

**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)	(d) Covered all 12 months	(e) Months of Coverage											
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18															
19															
20															
21															
22															
23															

**Reduced Hours Example 4 - Look-Back Measurement Method**

Full-time employee changed to part-time status and coverage terminated May 1 (employee considered full-time all year due to stability period)  
 Offered fully-insured minimum value coverage to employee, spouse and children that cost \$135/month for employee-only coverage  
 Employee and spouse enrolled in the coverage and then waived COBRA continuation coverage which costs \$425/month for employee-only coverage

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01	
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec
14 Offer of Coverage (enter required code)	1E	1E	1E	1E	1E	1D	1D								
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00	\$425.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C	2C	2C	2C	2C										
17 Zip Code															

**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)	(d) Covered all 12 months	(e) Months of Coverage											
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18															
19															
20															
21															
22															
23															

**Break in Service Example 1 - Monthly Measurement Method**

Employee worked full-time January – May. Employee was furloughed in mid-June – August. Employee returned to work full-time September – December  
 Offered fully-insured minimum value coverage that cost \$140/month for single active coverage and \$470/month for single COBRA coverage  
 Employee enrolled in single coverage. Coverage terminated and COBRA was waived July – August. Employee re-enrolled for September - December

Form 1095-C													
Part II	Employee Offer and Coverage			Employee's Age on January 1:					Plan Start Month (enter 2-digit number): 01				
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1E	1E	1B	1B	1E	1E	1E	1E
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$470.00	\$470.00	\$140.00	\$140.00	\$140.00	\$140.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2B	2B	2C	2C	2C	2C
17 Zip Code													

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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Break in Service Example 2 - Look-Back Measurement Method**

Employee worked full-time January – April. Employee was furloughed in May – September. Employee returned to work full-time October – December (full-time all year due to stability period)  
 Offered fully-insured minimum value coverage that cost \$140/month for single active coverage and \$470/month for single COBRA coverage  
 Employee and spouse enrolled. Coverage terminated and COBRA was waived May – September. Employee re-enrolled in December after a waiting period

Form 1095-C													
Part II	Employee Offer and Coverage			Employee's Age on January 1:					Plan Start Month (enter 2-digit number): 01				
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1E	1E	1E	1E	1D	1D	1D	1D	1D	1D	1D	1E
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage		\$140.00	\$140.00	\$140.00	\$140.00	\$470.00	\$470.00	\$470.00	\$470.00	\$470.00	\$470.00	\$470.00	\$140.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C						2D	2D	2C
17 Zip Code													

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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**Union Employee**

Full-time union employee all 12 months (coverage available only under the multiemployer plan)  
 Employer contributed monthly to the multiemployer plan on behalf of this employee and received assurance that the multiemployer plan provided affordable minimum value coverage  
 Employer is not sure whether employee was offered coverage for all 12 months, what the cost for such coverage was, or whether employee actually enrolled

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01		
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec	
14 Offer of Coverage (enter required code)	1H															
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage																
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2E															
17 Zip Code																

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18																
19																
20																
21																
22																
23																

**COBRA Participant**

COBRA participant all 12 months in a self-funded minimum essential coverage plan

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												Plan Start Month (enter 2-digit number): 01		
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov		Dec	
14 Offer of Coverage (enter required code)	1G															
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage																
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)																
17 Zip Code																

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789		X													
19																
20																
21																
22																
23																

**Switch in Funding**

Full-time employee all 12 months  
 Offered fully-insured minimum value coverage that cost \$80/month for employee-only coverage for January - April (considered a "qualifying offer")  
 Offered self-funded minimum value coverage that cost \$80/month for employee-only coverage for May - December (considered a "qualifying offer")  
 Employee and spouse enrolled in the coverage (NOTE - It would also be okay to leave Line 16 blank when using Code 1A on Line 14)

**Form 1095-C**

Part II	Employee Offer and Coverage	Employee's Age on January 1:												
		All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)	1A													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage														
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)	2C													
17 Zip Code														

**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)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
18 John Doe	123-45-6789								X	X	X	X	X	X	X	X
19 Jane Doe	987-65-4321								X	X	X	X	X	X	X	X
20																
21																
22																
23																

## Appendix B – State Individual Mandate Employer Reporting

The federal individual mandate tax was reduced to \$0, and therefore individuals without minimum essential coverage will not face a federal penalty, but several states have implemented their own individual mandates with associated penalties. To enforce state-level individual mandates, several states require employer reporting similar to what is required at the federal level. The details are captured in the table below.

State/District	Form(s) Required	Filing Deadline	Penalties	More Information
<b>California</b> Employers sponsoring self-funded plans, including out-of-state employers with CA residents	Information must be provided to the Franchise Tax Board (FTB) and to covered individuals in the format that the FTB provides, but will comply if it is in the form of and includes the information contained in Forms 1095-B and 1095-C  Employers filing at least 100 “B” Forms or 250 “C” forms must file electronically through the <a href="#">File Exchange (FX) System</a>	<i>First filings due 2021</i>  Statements to covered individuals due January 31  Filing with the FTB due March 31	\$50 per applicable individual	<a href="https://www.ftb.ca.gov/tax-pros/law/legislation/2019-2020/SB78.pdf">https://www.ftb.ca.gov/tax-pros/law/legislation/2019-2020/SB78.pdf</a>  <a href="https://www.ftb.ca.gov/help/fx-system/index.html">https://www.ftb.ca.gov/help/fx-system/index.html</a>  <a href="https://www.ftb.ca.gov/file/business/report-mec-info/ftb-file-exchange-system-mec-ir-registration-and-enrollment.pdf">https://www.ftb.ca.gov/file/business/report-mec-info/ftb-file-exchange-system-mec-ir-registration-and-enrollment.pdf</a>
<b>Massachusetts</b> Massachusetts employer or a non-Massachusetts employer who conducts business or maintains an office in Massachusetts	Form 1099-HC must be provided to employees, and a report that includes details about the 1099-HC must be provided to the Department of Revenue (DOR)	Form 1099-HC to employees due January 31  Report to DOR due March 31	\$50 per individual, up to \$50,000	<a href="https://www.mass.gov/service-details/health-care-reform-for-employers">https://www.mass.gov/service-details/health-care-reform-for-employers</a>
<b>New Jersey</b> Employers sponsoring self-funded plans who employ NJ residents, including out-of-state employers (even if not withholding payroll taxes)	Form 1094 and 1095s must be provided to the Department of Revenue and Enterprise Services (DORES) via the secure filing system with copies to covered individuals	Statements to covered individuals due March 2  DORES filing due March 31	No penalty specified	<a href="https://nj.gov/treasury/njhealthinsurancemandate/employers.shtml">https://nj.gov/treasury/njhealthinsurancemandate/employers.shtml</a>
<b>Rhode Island</b> Employers that provide minimum essential coverage – including out-of-state employers that provide coverage to Rhode Island residents	Form 1094 and 1095s must be provided to the Division of Taxation (DOT) with copies to covered individuals	<i>First filings due 2021</i>  Statements to covered individuals due January 31  TBD for filing with DOT	No penalty specified	<a href="http://www.tax.ri.gov/reports/Summary_of_Legislative_Changes_08_05_19.pdf">http://www.tax.ri.gov/reports/Summary_of_Legislative_Changes_08_05_19.pdf</a>
<b>Washington D.C.</b> Employers who sponsor self-insured group health plans covering at least one employee who was a District resident during the calendar year	Form 1094 and 1095s must be provided to the Office of Tax and Revenue (OTR) electronically through MyTax.DC.gov with copies to covered individuals	Statements to covered individuals due January 31  OTR filing due 30 days after the IRS deadline for filing Form 1094 and 1095s	No penalty specified	<a href="https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/FAQ%20Reporting%20SRP%20Update.3.31.20.pdf">https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/FAQ%20Reporting%20SRP%20Update.3.31.20.pdf</a>

## Appendix C – 2020 COVID-Related Challenges

During 2020, many employers had record numbers of employees who experienced changes in employment status during the year due to leaves of absence, hour reductions, furloughs, and terminations followed by rehires. In addition, there were corresponding premium contribution adjustments and payroll changes. Then on top of everything else, many businesses experienced restructuring via mergers and acquisitions. All of these moving parts during 2020 will make it more challenging for employers to determine applicable large employer (ALE) status, full-time status for employees, and the affordability of group medical plan offerings.

Some employers do the reporting preparation manually and therefore need a strong understanding of the rules and the codes in order to report accurately. For employers using a vendor to prepare the 1094 and 1095s, the technology will generally produce accurate reporting so long as the employer enters accurate hours of service and offer of coverage information (including any changes in employee contributions) for each employee for each month. However, in either case, the employer is ultimately responsible for verifying that the reporting matches employee status and offer of coverage information for each month of 2020.

Below are a few tips to keep in mind when determining full-time status, offer status, and affordability in 2020.

### Full-Time Status

- Make sure to count all **hours of service**, which include any time paid or payable (including vacation, sick time and paid time off).
- Under the **monthly measurement method**, employees with 130 or more hours of service in a month are full-time.
- Under the **look-back measurement method**, employees who averaged full-time hours during the previous measurement period are generally full-time for the entire corresponding stability period, even if there is a reduction in hours, leave of absence or furlough. There is a small exception beginning the 4th month following a change to part-time for some regular full-time employees who were not subject to an initial measurement period.
- The **break in service rules**, which apply for both the monthly and look-back measurement methods, require that employees returning from a break in service of <13 weeks be treated as continuing employee and not subject to a new waiting period or initial measurement period. Employees returning after 13 or more weeks may be treated as new hires.

### Offer of Coverage

- An offer of coverage that is waived may be treated as an offer of coverage for up to 12 months. Employees who waived coverage at open enrollment, or when first eligible during the plan year, may be treated as having been offered coverage for the whole plan year.
- An offer of COBRA is treated as an offer of coverage if the employee is still employed. For example, employees who were covered and then offered COBRA following a reduction in hours or during a leave of absence may be treated as having been offered coverage for the whole plan year. However, the offer code should reflect only the individuals who were offered COBRA.
- An employee in a waiting period, prior to the coverage effective date, is not treated as being offered coverage, but the time can be coded as a limited non-assessment period so long as coverage is offered at the end of the waiting period.

### Affordability

- If employee contributions for the monthly premium were adjusted in any month, such changes should be reflected on Line 15.
- If COBRA was offered mid-plan year to an employee, the employee contribution should be adjusted on Line 15 to reflect the cost of single COBRA coverage.
- Mid-year employee contribution changes, or changes in employee pay, may affect whether the affordability safe harbors apply. Under the rate of pay safe harbor, affordability is determined based off the employee's hourly rate at the beginning of the coverage period x 130 (unless pay is reduced, in which case the lower rate should be used). The Form W-2 safe harbor cannot be used unless the employee contribution was a consistent amount or a consistent percentage of the employee's Box 1 wages all year.