

# EMPLOYER MANDATE REPORTING: A GUIDE

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Large employers (those with 50 or more full-time equivalent employees) are required to begin employer mandate reporting for the 2015 tax year. So what information must a large employer begin tracking in 2015? This guide is intended to assist employers to ensure they are tracking the correct information for the required reporting.

## **Employers with 100+ full time equivalent employees in 2015 with a fully insured health plan:**

Employer mandate penalties begin in 2015 for large employers with 100 or more full-time equivalent employees. Large employers are required, under Section 6056 of the tax code, to complete and submit one Transmittal Form (IRS Form 1094-C) and, for each employee, an Employee Statement (IRS Form 1095-C – top half only). It may help you to think of the 1094-C as similar to the W-3 (a transmittal form) and the 1095-C as similar to the W-2 (a separate return for each employee).

## **Employers with 50-99 full-time equivalent employees in 2015 with a fully insured health plan:**

Even though the regulations provide transitional relief from the employer mandate penalties in 2015 for most midsized employers, these employers still are required to perform certain reporting tasks under Section 6056. Midsized employers must file a Section 6056 Transmittal (IRS Form 1094-C) to prove that the employer in fact meets the requirements for the transitional relief. As long as the transitional relief requirements are met, employer mandate penalties will not begin for these midsized employers until 2016. Midsized employers will also be required to file an Employee Statement (the top half of IRS Form 1095-C) for each employee annually.

## **Employers with 50+ full time equivalent employees in 2015 with a self-insured health plan:**

Employers with self-insured health plans are required to perform both the employer reporting requirements (Section 6056) and the insurer reporting requirements (Section 6055). So employers with a self-insured plan are required to complete both the top and bottom half of the IRS Form 1095-C. (The top half of the form includes the Section 6056 reporting information and the bottom half of the form includes the Section 6055 reporting information.) These employers are also required to complete the transmittal form (IRS Form 1094-C). This guide is only intended to cover the Section 6056 (employer) reporting requirements, not the Section 6055 (insurer) reporting requirements.

**HOW TO DETERMINE WHAT INFORMATION YOU ARE REQUIRED TO COLLECT AND REPORT AS AN EMPLOYER WHO SPONSORS A FULLY-INSURED HEALTH PLAN:**

**1. General Method**

The general method requires the greatest amount of information collection. All large employers with 50 or more full-time equivalent employees are required to use this method, unless they qualify for reporting relief provided by the two alternative methods that are described below.

When using the general method, the employer must file a 1094-C for the company and 1095-Cs for each employee. The employee must also receive a copy of the 1095-C.

Employers required to use this method must begin collecting the following data in 2015 for reporting purposes:

- Employer name, address, and Tax ID
- Name and phone number of employer's contact person responsible for health insurance (this may be either an employee or agent of the employer)
- Calendar year for which the information is reported
- Certification as to whether the employer provided minimum essential coverage to full-time employees and their dependents by calendar month
- Months minimum essential coverage was available to each full-time employee
- Each full-time employee's monthly cost for employee-only coverage under the employer's least expensive minimum value plan (bronze level or higher plan)
- Number of full-time employees employed each month in the calendar year
- Name, address, and tax ID of each full-time employee employed during the calendar year
- Months each employee was covered on the group health plan during the year

**2. Qualifying Offer Method**

In an attempt to ease the reporting burden for employers who offer minimum essential coverage at a very minimal rate, the government is offering such employers the option to report a bit less information. An employer may take advantage of this option if it provides a "qualifying offer" of insurance to any of its full time employees. A qualifying offer is an offer of a bronze level or higher plan where the cost to the employee of employee-only coverage is less than about \$1,100 in 2015 (9.5 percent of the Federal Poverty Level). Also, the employer must offer the plan to all members of the employee's family to be eligible to use this reporting method.

So how is the reporting different when using this method?

For employees who receive qualifying offers for all 12 months of the year, employers will need to report only the names, addresses, and tax ID numbers of those employees and the fact that they received a full-year qualifying offer. So the employer is not required to report monthly, employee-specific information on these employees.

For employees who receive qualifying offers for fewer than 12 months of the year, the employer may use a code for each month a qualifying offer was made.

*2015 Transitional Relief under the Qualifying Offer Method-* For 2015 only, if the employer made a qualifying offer to at least 95% of all full-time employees and allowed family members to enroll in the plan (regardless of the cost to employees of family member coverage), the employer will be permitted to use this qualifying offer simple reporting method for all employees, including those who did not receiving a qualifying offer for the entire year.

### **3. 98% Offer Method**

To provide even greater reporting relief to reward employers offering to at least 98% of the company's full time employees a bronze level or higher plan at an "affordable" rate, the IRS is offering the 98% Offer Method. (To see the definition of an affordable rate, see FAQ #4 below.)

So how is the reporting different when using this method?

The employer is not required to identify which employees regularly work full-time hours. Rather, the employer is simply required to include in the report those employees who may be full-time.

#### **FREQUENTLY ASKED QUESTIONS REGARDING EMPLOYER MANDATE REPORTING**

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**Question 1:** Are all companies required to perform employer mandate reporting, or only those that have 50 or more full-time equivalent employees?

**Answer 1:** Employers that have fewer than 50 full-time employees are exempt from the ACA employer shared responsibility provisions and therefore from the employer reporting requirements.

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**Question 2:** When are we required to begin employer mandate reporting?

**Answer 2:** The forms must be filed for first time in early 2016 for the 2015 calendar year. Just like W-2's, copies of the forms must be provided to employees by January 31. The forms must be filed with the IRS by February 28 if reporting on paper or by March 31 if reporting electronically. Employer mandate reporting must be done annually.

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**Question 3:** We have less than 50 full-time equivalent employees and sponsor a fully-insured health plan. Are we required to do any employer mandate reporting?

**Answer 3:** No, only employers subject to the employer mandate must file Form 1094-C and Forms 1095-C for each employee.

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**Question 4:** What is an "affordable rate?"

**Answer 4:** Coverage is considered "affordable" if employee contributions for employee only coverage do not exceed 9.5% of an employee's household income. Since most employers do not know an employee's household income, there are three safe harbors in place for determining affordability:

1. W-2 Wages Safe Harbor – The amount the employee must contribute towards employee only coverage for a bronze level or higher plan does not exceed 9.5% of an employee's W-2 wages. The W-2 amount to use for the purpose is the amount reported in Box 1 of the W-2 Form. The

employer may not add back in salary reductions under a 401(k) plan or cafeteria plan to this amount for the purpose of this safe harbor affordability calculation.

2. **Rate of Pay Safe Harbor-** The amount the employee must contribute towards employee only coverage for a bronze level or higher plan does not exceed 9.5% of an employee's monthly wages. This may be calculated for hourly employees by taking the employee's hourly rate and multiplying it by 130 hours per month. For salaried employees, you may simply use the employee's regular salary.
3. **Federal Poverty Level Safe Harbor-** The amount the employee must contribute towards employee only coverage for a bronze level or higher plan does not exceed 9.5% of the Federal Poverty Level for a single individual. As noted above, this amount is approximately \$1100 per year.

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**Question 5:** What information is not required to be included on the 1094-C and 1095-C forms for companies that sponsor a fully-insured health plan?

**Answer 5:** There are many misconceptions regarding employer reporting requirements for employer mandate purposes. It's important to note that the employer is not required to report the following data items on these forms:

- The length of the employer's waiting period
- The amount the employer contributes to the plan
- The reporting of months, if any, during which any of the employee's dependents were covered under the plan (The rules require reporting only regarding whether the employee was covered under a plan)
- Identifying information regarding the employee's dependents, including social security numbers for an employee's spouse or dependents.
- Monthly premium for the lowest-cost option in each of the enrollment categories (such as employee-only coverage or family coverage) under the plan
- Months dependents were covered under the plan
- Look-back measurement method used for variable hour employees

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**Question 6:** How do I know if my health plan is self-insured or fully-insured?

**Answer 6:** With a fully funded health plan, employers pay a set premium amount to an insurance company. The insurance company is then responsible for paying health care claim costs as outlined in the plan. Therefore, the employer does not directly pay claims and assumes no risk, as the risk of excessive claims is assumed by the insurance carrier. This is the most common form of employer-based health plans.

With a self-insured plan, instead of using an insurance company to provide health care coverage, the employer directly pays the health care claims of employees. Typically, the employer will have a pool of money set aside to handle the variability in claims from month to month. In this model, the employer may save money that would have been the insurance company's profit, but the employer is also assuming much greater risk of having to pay multiple large claims. This plan is typically only chosen by larger employers.

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**Question 7:** Where can I find the 1094-C and 1095-C forms?

**Answer 7:** We have posted both of these forms in the HR Support Center. To locate them, simply click on “Essentials” then “Forms” and search the form number.

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**Question 8:** Can we use the general method for all employees, or are we required to use the alternative methods (qualifying offer method, 98% offer method) if we qualify?

**Answer 8:** Both alternative reporting methods are optional so that an employer may choose to report for any or all of its full-time employees using the general method even if an alternative reporting method is available.

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**Question 9:** Are certain employers required to file electronically?

**Answer 9:** Consistent with other tax information reporting requirements, the final regulations require electronic filing of section 6056 information returns (both Forms 1094-C and 1095-C), unless the employer will be submitting fewer than 250 1095-C forms for the calendar year. However, employers of all sizes are permitted to file electronically.

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