COMPLETING THE IRS FORMS 1094 & 1095 “C SERIES”

Employers who averaged 50 or more “Full-Time” plus “Full-Time Equivalent” employees in the previous year are called “Applicable Large Employers” (ALEs). ALEs are required to deliver to each Full-Time employee a Form 1095-C, and are also required to file with the government Form 1094-C along with all of their Full-Time employees’ Form 1095-Cs. The Forms are required to report for all months of the calendar year.

Form 1094-C is a transmittal form, providing information to the government regarding the employer, the offer of coverage by the employer, and whether the employer is part of a larger set of employers under common control.

Form 1095-C, on the other hand, includes a great deal of information on the Full-Time employee, the offer of coverage they received, and whether they took such coverage. A Form 1095-C must be completed for each common-law employee who worked at least one month of the year as a Full-Time employee (i.e., the employer intended the employee to have 30 or more hours of service a week, or 130 or more hours of service in any given month). This also may include an employee who an employer employed through a temporary staffing agency or Professional Employer Organizations (PEO), and who may be considered the employer’s common-law employee. For any employer using the Look-Back Measurement Method for seasonal and variable-hour employees, a Form 1095-C must be issued for any employee who averaged 30 or more hours of service a week (or 130 or more hours of service per month) during their Measurement Period, and is therefore considered a Full-Time employee during their entire Stability Period for any month of the Stability Period that falls within the reporting year. In addition, the Form 1095-C must also be provided to any part-time employee, retiree, COBRA beneficiary, or other individual who was covered under an employer’s self-insured medical plan during any month of the year.

Each Full-Time employee must be provided an IRS Form 1095-C by January 31, 2019. IRS Form 1094-C, along with all Full-Time employees’ Form 1095-Cs, must be transmitted to the IRS by March 31 every year (April 1 in 2019), if an employer files these Forms electronically. Employers who issue less than 250 1095-C information returns may file paper copies of the Forms, but paper filings must be transmitted to the IRS by February 28, 2019.

IRS FORM 1094-C TRANSMITTAL FORM GUIDANCE

Part I

- Cells 1-8: Complete all blocks.
- Cells 9-16: These are only for a government entity that is completing this form for another government entity, so leave blank unless it applies.
- Row 18: Total number of Form 1095-Cs (Employee Forms) submitted with this Form 1094-C.
- Row 19: Check “Yes.” This would only be blank if a division of the employer is submitting its own 1094-C, and another division of the employer (e.g., the headquarters) is submitting the “Authoritative” transmittal for all divisions (with the same EIN) of the employer. If this division is not filing the “Authoritative” transmittal of the 1094-C on behalf of the entire employer, this division would leave lines 19-22 blank.
IRS FORM 1094-C TRANSMITTAL FORM GUIDANCE (CONTINUED)

Part II

- Row 20: Normally, this will be the same number as on Row 18. This number would be greater than Row 18 if this Form 1094-C is being filed by the division, (e.g., the headquarters) taking responsibility for all other divisions within the organization as the “Authoritative” transmittal. In this case, the number would be the aggregate number of Forms 1095-C submitted by all divisions with the same EIN.

- Row 21: If an employer is not part of a commonly-owned employer group, consisting of multiple EINs, then an employer will check the “No” box. However, if an employer is part of a commonly-owned employer group consisting of multiple EINs, then that employer’s legal counsel would need to decide whether they are part of an “Aggregated Control Group.” If so, then they would need to check the “Yes” box. Generally, an Aggregated Control Group occurs when one entity owns 80% or more of another entity with a different EIN. As a reminder, if all FT plus FTE employees in an “Aggregated Control Group” of employers is greater than 50 FT / FTE employees, then each ALE member, even those employers with less than 50 FT / FTE employees, must file its own “Authoritative Transmittal” under Form 1094-C along with all of the required Forms 1095-C.

- Row 22: Note that you check all that apply (except Box B and C, entitled “Reserved”):
  - Box A - Qualifying Offer (QO) means for at least one employee, for all 12 calendar months of the applicable year, coverage was offered that met the below requirements:
    - The monthly “cost to an employee” (See Form 1095-C Guidance, Line 14, Code 1A, below), for employee-only coverage for the least expensive medical plan providing Minimum Value (MV) benefits was ≤ 9.86% of the current year’s Mainland Individual Federal Poverty Level (In 2019, it is $12,140 / 12 X 9.86% = $99.75), and
    - The offer of coverage for all 12 calendar months was made to the employee, spouse and children.
  - Box B – Reserved (Do not check box)
  - Box C – Reserved (Do not check box)
  - Box D - 98% Offer Method means an employer offered Affordable, MV benefits for all 12 calendar months of the year, to at least 98% of all of its Full-Time employees (and children) for whom the employer is filing a 1095-C form. (Note: The 98% calculation includes all Full-Time employees, but excludes those who are in a Limited Non-Assessment Period, e.g., in a waiting period). If this is checked, the employer need not complete the number of Full-Time employees each month in Part III of Form 1094-C (Note: The Affordable safe-harbor need not be the Federal Poverty Level Method).

Part III – ALE Member Information – Monthly

- Column a: Check “Yes” for each month (or for all 12 months, if applicable) that the employer offered Minimum Essential Coverage to “Substantially All” its Full-Time employees (at least 95% of its Full-Time employees plus dependent children, but excluding those in a Limited Non-Assessment Period). Check “No” for the months that the employer did not offer coverage to “Substantially All” Full-Time employees.

- Column b: Need not be completed if 98% Offer Method was selected in Part II, Row 22. If the 98% Offer Method was not selected in Part II, Row 22, then the number of Full-Time employees, excluding those in a Limited Non-Assessment Period, must be reported for each calendar month.
IRS FORM 1094-C TRANSMITTAL FORM GUIDANCE (CONTINUED)

Part III – ALE Member Information – Monthly (Continued)

- Column c: The total number of all employees (e.g., Full-Time, Part-Time, variable hour, seasonal, and employees in a Limited Non-Assessment Period) employed by the employer for any given month. Employers should probably use the number of employees the employer had either on the first day of each month or the first day of the first payroll period in each month for column c (and column b, if necessary).
- Column d: Check for each month the Applicable Large Employer (ALE) was a member of an Aggregated ALE (Control) Group.
- Column e: Reserved (Do not write in this column)

Part IV – Other Members of Aggregated (Control) ALE Group

- An ALE that is a member of an Aggregated ALE (Control) Group (and that checked “Yes” in Row 21) will report the names and EINs of all other members of the Control Group in Part IV.

IRS FORM 1095-C GUIDANCE INDIVIDUALIZED FOR EACH EMPLOYEE

Part I

- Complete blocks 1 – 13, regarding information about the individual employee and the employer/ALE Member.

Part II – Employee Offer & Coverage

- Enter the month in which your plan renewal occurred, in numerical form (e.g., December = 12), where the Form states Plan Start Month.
- You can only use the “All 12 months” column if there was no change to the employee’s offer of coverage for all 12 months of the calendar year (e.g., the employee was covered for all 12 months).
- Line 14 Codes: OFFER OF COVERAGE TO THE EMPLOYEE CODES (An employee must be offered coverage for all days of the month, to be considered as having been offered coverage for that month in Codes 1A – 1F; otherwise, use Code 1H):
  - 1A: In 2019, employee-only coverage for the least expensive Minimum Value (MV) benefit costs the employee less than $99.75 per month (<9.86% of FPL in 2019) and at least Minimum Essential Coverage (MEC) was also offered to his/her spouse and dependent children. If Code 1A is used, do not complete Line 15 (and Line 16 is optional). The “cost to the employee” is:
    - The employee’s monthly payroll deduction for employee-only coverage for the least expensive medical plan offering MV benefits, plus
    - Any taxable income per month the employee may receive if he/she declines medical benefits unless the employee attests to the fact that the employee, his/her spouse and dependent children are covered by another employer-sponsored plan, e.g., the spouse’s employer, providing at least MEC. (Note: this would not be considered a “Health Flex Contribution”), plus
    - Any wellness premium discounts an employee receives for the successful completion, participation, activity, or outcome of a wellness program (unless such premium discount is solely contingent upon completion of a tobacco cessation program).
  - 1B: MV benefit offered to employee only
  - 1C: MV benefit offered to employee and at least MEC offered to children only
  - 1D: MV benefit offered to employee and at least MEC offered to spouse only
Part II – Employee Offer & Coverage (Continued)

- 1E: MV benefit offered to employee and at least MEC offered to spouse and children
  - This will be the code if the employee-only cost to the employee for the least expensive plan providing MV coverage is more than $99.75 per month, and MEC is offered to the spouse and children
- 1F: MEC (that does not provide MV benefits) was offered to the employee only, or MEC (that does not provide MV benefits) was offered to the employee and spouse and/or children.
- 1G: Coverage was offered for at least one month of the calendar year to non-employee (e.g., retiree, COBRA beneficiary) for any month of the calendar year, or to an employee who was not a full-time employee for any month of the calendar year and who enrolled in self-insured coverage for one or more months of the calendar year (Do not use code 1G unless it applies for all 12 months of the calendar year. If less than 12 months, use the applicable offer code (e.g., Code 1A or 1E) when an employee takes COBRA due to changing to Part-Time status mid-year, but was not terminated. Use 1H and 2A when an employee terminates mid-year and continues self-insured coverage under COBRA or if they become a retiree mid-year).
  - Do not complete Lines 15 or 16 if Code 1G is used.
- 1H: No offer of MEC to employee. This will be the common code for the months before the employee was eligible for coverage, was subject to a waiting period, was hired mid-month even if coverage was offered on the date of hire, or after employment terminates. This code will also be used for employees who were offered COBRA coverage, in a self-insured plan, who did not elect COBRA coverage.
- 1I: Reserved for future use
- 1J: MV benefit offered to employee; at least MEC conditionally offered to the spouse; and no coverage offered to dependent children.
- 1K: MV benefit offered to employee; at least MEC conditionally offered to the spouse and to dependent children.

- Line 15
  - If Line 14 contains Code 1B, 1C, 1D, 1E, 1J or 1K, insert the employee-only, monthly cost to the employee for the least expensive medical plan providing MV benefits. For other Line 14 codes, leave this row blank. If there is no cost to the employee for the least expensive plan offering MV benefits, enter $0.00. The monthly cost to the employee is:
  - The employee’s monthly payroll deduction for employee-only coverage for the least expensive medical plan offering MV benefits, plus
  - Any taxable income per month the employee may receive if he/she declines medical benefits unless the employee attests to the fact that the employee, his/her spouse and dependent children are covered by another employer-sponsored plan, e.g., the spouse’s employer, providing at least MEC. (Note: this would not be considered a “Health Flex Contribution.”), plus
  - Any wellness premium discounts an employee receives for the successful completion, participation, activity, or outcome of a wellness program (unless such premium discount is solely contingent upon completion of a tobacco cessation program).
Part II – Employee Offer & Coverage (Continued)

- Line 16 Codes:
  - 2A: Employee was not employed for any day in the month.
  - 2B: Employee was employed, but was not a Full-Time employee for the entire month, and employee was not enrolled in MEC. Also, use this code when a Full-Time employee was offered MEC or was actually covered, but coverage (or the offer) ended before the end of the month because their employment terminated before the end of the month.
  - 2C: Employee was enrolled in medical benefits for every day in the month (Do not use this code if either 1G was entered into Line 14, or if the employee is enrolled in COBRA continuation coverage after employment termination, or enrolled in non-MEC coverage).
  - 2D: Employee was not covered during the month due to a “Limited Non-Assessment Period” (See Line 16, Code 2D, below, describing Limited Non-Assessment Periods, e.g., the employee was in his / her waiting period during that month).
  - 2E: Multiple-Employer Transition Relief: Employer’s common-law employee is offered Affordable, MV coverage (and at least MEC is offered to employee’s children) through a multiple employer plan, (e.g. union, a staffing firm or a PEO). If the employee is the common-law employee of the employer, and the employer does not offer coverage to the employee, but the staffing agency / PEO does, then the employer will only be considered to have offered the employee coverage if the staffing agency / PEO bills the employer more for employees who are covered under the staffing agency / PEO plan than those who are not covered under the staffing agency / PEO plan.
  - Safe Harbor Methods 2F – 2H: used to validate that employee-only coverage for the least expensive plan offering MV benefit is “Affordable” for this employee (Code 1A, 1B, 1C, 1D or 1E was used in Line 14), and the employee waived coverage.
    - 2F: Form W-2 Safe-Harbor Method (Box 1 of W-2)
    - 2G: Federal Poverty Level (FPL) Safe-Harbor Method (optional, but not necessary, if code 1A is used in Line 14)
    - 2H: Rate of Pay Safe-Harbor Method
    - 2I: Reserved for future use

For Line 16, Code 2D is used for allowable Limited Non-Assessment Periods if employee is offered MV benefits the first of the month following the Limited Non-Assessment Period. Limited Non-Assessment Periods include:

- The first calendar month of employment, when a Full-Time employee’s first day of employment is not the first day of the month
- Any month for which a Full-Time employee is subject to a Waiting Period, prior to eligibility for benefits
- Variable-hour, seasonal or Part-Time employee is in his / her Initial Measurement Period or the Associated Administrative Period for the employer to determine if the employee averages 30 or more hours of paid service per week during the Measurement Period
- Waiting Period following a change in status from Variable-Hour to Full-Time
  - This is only applicable when an employee is in an Initial Measurement Period at the time of the status change.
- Employer recently exceeded 50 or more Full-Time / FTE employees in the previous year, but employer discovered they were an ALE in the current year. Employer would not suffer a penalty from January through March of the applicable year.
IRS FORM 1095-C GUIDANCE INDIVIDUALIZED FOR EACH EMPLOYEE (CONTINUED)

Part III – Covered individuals – Covered individuals in a Self-Insured plan include: employees, spouses, domestic partners, children, COBRA beneficiaries, etc.

- Complete ONLY if the Full-Time (or Part-Time) employee, retiree, or COBRA beneficiary was covered by a self-insured medical plan providing at least MEC during any month of the year.
  - List all covered family members, including the employee
  - Employer must make at least 3 attempts to obtain a family member’s SSN/Taxpayer Identification Number (TIN) before the employer may use the individual’s date of birth.
  - If an ex-spouse and/or a child age 26 or older is covered in a self-insured plan as a COBRA beneficiary while the employee continues to be an active employee covered under a self-insured plan, the COBRA beneficiary is shown in the employee’s 1095-C Part III.

- This section must also be completed for individuals who were employees in a previous year, but were not employees for all months of the calendar year, and were covered under a self-insured medical plan of the ALE (e.g., elected officials, directors, COBRA beneficiaries, retirees, etc.).
  - For reporting purposes for these individuals on Form 1095-C, use Code 1G in Part II, Line 14, do not complete lines 15 or 16, and enter their information into Part III.

- Whenever a COBRA beneficiary is covered under a self-insured plan, Part III must be completed for each covered family member for all months of self-funded coverage.

- If the employee is no longer an employee of the employer, and the employer’s medical plan is self-insured:
  - If the ex-employee does not elect COBRA coverage:
    - If employee’s employment and coverage terminated mid-month, then, for that month, insert 1H in Part II, Line 14 (leave Line 15 blank, and insert Code 2B in Line 16);
    - For all months of the calendar year of employment termination in which the ex-employee was not employed any day of the month, insert Code 1H in Line 14, leave Line 15 blank, and insert Code 2A in Line 16.

- If the employee is still an employee, but is offered COBRA coverage because of a reduction in hours, and the Employer’s medical plan is Self-Insured:
  - If the employee does not elect COBRA coverage:
    - For all months in which the employee was not offered Full-Time employee coverage in any day of the month, but was instead offered COBRA coverage, insert the corresponding 1-Series Code (1A – 1F) in line 14, insert the total cost of the COBRA premium for self-only coverage for the lowest cost plan in line 15, and insert Code 2B in line 16 (assuming the Part-Time employee had less than 130 hours of paid service in the month).
  - If the employee does elect COBRA coverage:
    Insert the corresponding series 1 Series Code (1A – 1F) in line 14, the total cost of the COBRA premium for employee-only coverage for the lowest cost plan in line 15, and Code 2B in line 16, and enter their information into Part III.

Note: The information is Marsh & McLennan Insurance Agency LLC company’s, perspective on some elements of the regulations pertaining to the Affordable Care Act. This must not be considered legal or tax advice. Employers must consult their legal counsel and tax advisor for all advice pertaining to any government laws, regulations or ordinances.