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Health Care Reform Alert **Affordable Care Act Reporting Requirements IRS Sections 6055 and 6056 Final Regulations** What Employers Need to Know

On October 10, 2013, Creative Benefits issued a Client Alert summarizing *proposed* regulations on two new Affordable Care Act reporting requirements affecting certain employers (known as sections 6055 and 6056). On March 6, 2014, *final* regulations were issued. This Client Alert is a summary of the final regulations.

These reporting requirements pertain to you if you are:

- A plan sponsor of a self-insured health plan of any size; and/or
- A large employer (generally 50 or more employees) offering a group health plan
- A multiemployer plan

Please refer to **Table 1. Reporting Responsibility by Entity**

Here's what to do:

- *Start planning now—the first reporting is not required until early 2016 for the 2015 calendar year but there is a lot of preparation required by affected employers. Creative Benefits will assist you with these reporting requirements.*
- Determine which reporting requirement(s) applies to your company and familiarize yourself with those requirements.
- Begin strategizing how you will collect the required information.
- Determine if a third party will assist you in collecting information and reporting.
- Budget for the additional human resources, time, or third party assistance you will utilize.
- Consider how you will distribute the required “statements” to employees—electronically or in paper format
- Continue watching for updates on these reporting requirements from Creative Benefits.

What are the two reporting requirements?

Section 6055 reporting is required by entities that provide “minimum essential coverage” (medical coverage) to employees and is needed for the government to administer the **individual mandate**.

Section 6056 reporting is required by large employers who provide medical coverage to their full-time employees and is needed for the government to administer the **employer mandate**.

Responsibility for reporting depends on the type of entity you are

Table 1. Reporting Responsibility by Entity

Entity Type	6055 Responsible Entity	6056 Responsible Entity
Small, fully insured	Insurer	Not applicable
Small, self-insured	Employer	Not applicable
Large, fully insured	Insurer	Employer
Large, self-insured	Employer	Employer
Multiemployer, fully insured	Insurer	Employer*
Multiemployer, self-insured	Multiemployer plan	Employer*

*The final rules allow a multiemployer plan to report on the employees it covers and to assist the employer in furnishing statements to those employees. However, the ultimate responsibility remains with the employer to ensure timely and accurate reporting.

In general

IRS forms

The reporting will take place on forms provided by the IRS (returns). A separate return will be filed with the IRS for each affected employee, and a copy of the form (statement) will be provided to each of these employees for their use in completing their tax return. The IRS has not yet released the forms.

The attached chart shows what the final regulations list as required information, but it is subject to change. Much of the information will be reported using indicator codes, which should simplify the reporting somewhat. Once the forms are released, employers will have a much better understanding of how the information must be reported.

To streamline reporting for self-insured large employers who must report under both 6055 and 6056, a combined form will be provided.

Reporting methods

For 6055 returns and statements, **only one reporting method** is provided in the final regulations. The 6055 reporting requires significantly less data than the 6056 reporting, but requires information on every individual covered under the group health plan (employee and dependents).

For 6056 reporting and statements, a **general reporting method** is provided, along with **three alternative reporting methods** that certain employers may use to simplify the reporting. 6056 reporting requires information on the full-time employee only (not dependents), but employers will need to provide a significant amount of additional data than is required for the 6055 reporting (for the general reporting method).

Please refer to **Table 2. General Reporting Method for Sections 6055 and 6056**

Please refer to **Table 3. Alternative Reporting Methods for Section 6056**

Third-Party Assistance

The 6056 final regulations specifically allow reporting entities to utilize a third party to handle the reporting to the IRS and the furnishing of statements to employees. It is likely that the same is true for the 6055 reporting.

Employers that contribute to a multiemployer plan on behalf of certain employees may work with the multiemployer plan administrator to satisfy the 6056 reporting requirement. The final regulations suggest that the multiemployer plan handle the reporting and furnish statements to employees for the employees covered under their plan, whereas the employer would handle the reporting and statements for all other employees (those not covered under the multiemployer plan).

Whether an employer utilizes a third party or relies on a multiemployer plan to fulfill the reporting requirements, the employer is always the responsible entity. Thus, the employer will be penalized for any untimely, incorrect, or incomplete reporting (except for insurer reporting under 6055).

Table 2. General Reporting Method for Sections 6055 and 6056

<h2 style="text-align: center;">General Reporting Method</h2>	<h2 style="text-align: center;">6055 Self-insured Employers and Multiemployer Plans</h2>	<h2 style="text-align: center;">6056 Applicable Large Employers¹</h2>
<p>What are these 6055 and 6056 reports and statements?</p>	<p>Think Form W-2, Wage and Tax Statement, that you file with the IRS annually.</p> <p>Similarly, these reports are new forms that will need to be filled out and sent to the IRS.</p> <p>As with the Form W-2, a separate form is required for each affected employee. You will send one copy to the IRS (the report/return) and one copy to the employee (the statement) for use in completing their tax return.</p> <p>The forms have not yet been released by the IRS. Substitute forms are allowed as long as all of the required information is included.</p> <p>There will be a combined form for use by employers who are required to report under both 6055 and 6056.</p>	
<p>What is the purpose of the reporting?</p>	<p>The IRS will use 6055 reporting to administer the individual mandate².</p> <p>Employees will use the statements to verify the months in which they and their dependents were covered by your group medical insurance.</p>	<p>The IRS will use 6056 reporting to administer the employer mandate³.</p> <p>Employees will use the statements to determine whether, for each month of the calendar year, they may claim on their individual tax returns a premium tax credit.</p>
<p>In general, what will be reported?</p>	<p>Details on each person enrolled in your medical plan and the months they were enrolled.</p>	<p>Details on each of your full-time employees and the coverage offered them under your medical plan.</p>

¹ For purposes of the Affordable Care Act, an applicable large employer is one that employs 50 or more full-time and full-time equivalent employees in the prior year.

² The requirement that most Americans maintain minimum essential coverage (e.g., medical health insurance) or pay an IRS penalty beginning in 2014.

³ The requirement that applicable large employers offer minimum essential coverage that is of minimum value and is affordable to their full-time employees or pay a nondeductible penalty.

Table 2. General Reporting Method for Sections 6055 and 6056

General Reporting Method	6055 Self-insured Employers and Multiemployer Plans	6056 Applicable Large Employers ¹
What time period must the reports and statements cover?	An entire calendar year (not plan year). The first reports will cover calendar year 2015.	
When are the IRS reports and the statements due?	<p>IRS reports: Annually, no later than February 28 (March 31 if filed electronically) after the reporting year. The first reports must be filed no later than March 1, 2016 (February 28 being a Sunday) for the 2015 calendar year</p> <p>Statements: Annually, no later than January 31 after the reporting year. The first employee statements will need to be furnished by February 1, 2016 (January 31 being a Sunday) for the 2015 calendar year.</p>	
In what manner are the reports to be filed to the IRS and the statements to be furnished to employees?	<p>IRS reports: Electronically if the employer is filing 250 or more reports; electronically or by first class mail if the employer is filing less than 250 reports.</p> <p>Statements: Through first class mail or electronically (<i>there are very specific and detailed requirements for furnishing the statements electronically</i>).</p>	
Who is responsible for filing the reports and furnishing the statements?	<p>Providers of “minimum essential coverage,” that is, medical insurance coverage</p> <ul style="list-style-type: none"> ▪ Fully insured plans—the health insurance issuer is responsible ▪ Self-insured plans—the plan sponsor, usually the employer, is responsible ▪ Multiemployer plans—the plan sponsor is responsible (association, committee, joint board of trustees) 	<p>“Applicable large employers” (ALEs) who provide medical insurance coverage to their full-time employees</p> <ul style="list-style-type: none"> ▪ Fully insured plans—the employer is responsible ▪ Self-insured employer plans—the employer is responsible ▪ Multiemployer plans—the employer is ultimately responsible, <i>however, the multiemployer plan may prepare the reports and statements</i>

Table 2. General Reporting Method for Sections 6055 and 6056

General Reporting Method	6055 Self-insured Employers and Multiemployer Plans	6056 Applicable Large Employers ¹
<p>Controlled groups—who is responsible?</p> <p>NOTE: Determining if an employer is a controlled group requires a very complex analysis involving CPAs and legal counsel. Creative Benefits, Inc. cannot advise our clients on whether they are or are not a controlled group</p>	<p>For self-insured ALEs reporting under 6055 and all ALEs reporting under 6056, each employer in the controlled group (ALE member) is treated as a plan sponsor separately liable for timely and correct reporting under its EIN. However, one member of the controlled group may assist the other members by filing returns and furnishing statements on behalf of all members.</p> <p>For example, if an ALE is comprised of a parent corporation and 10 wholly-owned subsidiary corporations, there are 11 ALE members (the parent corporation and each of the 10 subsidiary corporations). The reporting requirements apply on a member-by-member basis.</p> <p>Employers in controlled groups that are not ALE members may report as separate entities, or one entity may report for the group.</p>	
<p>What specific information will be required?</p>	<ul style="list-style-type: none"> ▪ Reporting entity’s name, address, and EIN 	<ul style="list-style-type: none"> ▪ Employer’s name, address, and EIN
<p>NOTE: Some required data will be reported using indicator codes</p>	<ul style="list-style-type: none"> ▪ Covered employee’s name, address, and SSN 	<ul style="list-style-type: none"> ▪ Employer’s contact person’s name and telephone number
<p>NOTE: Additional data may be required as specified in forms, instructions, or published guidance</p>	<ul style="list-style-type: none"> ▪ Covered dependents’ names and SSNs (or dates of birth if no SSN available) <p>Reporting of dates of birth in lieu of SSNs is only allowed if the employer is informed that an individual has no SSN or the employer is unable to obtain a SSN after making reasonable efforts (after asking for the SSN up to three times as established by the final rule).</p>	<ul style="list-style-type: none"> ▪ Employer’s certification as to whether full-time employees and their dependents had the opportunity to enroll in the health plan, by calendar month

Table 2. General Reporting Method for Sections 6055 and 6056

General Reporting Method	6055 Self-insured Employers and Multiemployer Plans	6056 Applicable Large Employers ¹
	<ul style="list-style-type: none"> ▪ Each covered individual's months for which, for at least one day, they were enrolled in coverage and entitled to receive benefits 	<ul style="list-style-type: none"> ▪ Number of full-time employees by calendar month
	<ul style="list-style-type: none"> ▪ Name and phone number of designated contact person, whether employed by the employer/plan sponsor or a third party 	<ul style="list-style-type: none"> ▪ Full-time employee's share of the lowest cost monthly premium for self-only coverage, by calendar month
		<ul style="list-style-type: none"> ▪ Full-time employee's name, address, and SSN
		<ul style="list-style-type: none"> ▪ Full-time employee's health plan coverage, by calendar month
		<ul style="list-style-type: none"> ▪ Whether coverage was not offered to an employee during certain months because of a permissible waiting period
		<ul style="list-style-type: none"> ▪ Whether the health plan provides minimum value coverage
		<ul style="list-style-type: none"> ▪ Whether the employee had the opportunity to enroll his or her spouse in coverage
		<ul style="list-style-type: none"> ▪ Total number of employees, by calendar month

Table 2. General Reporting Method for Sections 6055 and 6056

General Reporting Method	6055 Self-insured Employers and Multiemployer Plans	6056 Applicable Large Employers ¹
		<ul style="list-style-type: none"> ▪ Whether an employee’s effective date of coverage was affected by a permissible waiting period
		<ul style="list-style-type: none"> ▪ Whether the employer had no employees or otherwise credited any hours of service during any particular month
		<ul style="list-style-type: none"> ▪ Whether the employer is a member of a controlled group
		<ul style="list-style-type: none"> ▪ If applicable, the name and EIN of each member of the controlled group
		<ul style="list-style-type: none"> ▪ If the employer is a contributing employer to a multiemployer plan, and whether the employer is not subject to employer mandate penalties due to the employer’s contribution
		<ul style="list-style-type: none"> ▪ If a third party is reporting for an employer, the name, address, and EIN of the third party
		<ul style="list-style-type: none"> ▪ For each calendar month, whether coverage was offered to <ul style="list-style-type: none"> - The employee only - The employee and dependents only - The employee and spouse only - The employee, dependents, and spouse

Table 2. General Reporting Method for Sections 6055 and 6056

General Reporting Method	6055 Self-insured Employers and Multiemployer Plans	6056 Applicable Large Employers ¹
		<ul style="list-style-type: none"> ▪ If coverage was not offered to an employee and no penalty will be assessed, because, for example <ul style="list-style-type: none"> - The employee was in a limited non-assessment period - The employee was not a full-time employee - The employee was not employed by the employer for that month - No other code or exception applies
		<ul style="list-style-type: none"> ▪ If coverage was offered to the employee for the month although the employee was not a full-time employee for that month
		<ul style="list-style-type: none"> ▪ If the employer met one of the affordability safe harbors with respect to the employee

Table 3. Alternative Reporting Methods for Section 6056

Alternative Methods	6056 Applicable Large Employers
ALTERNATE METHOD 1: Reporting based on certification of qualifying offers	This method allows an employer to use simplified reporting for certain employees
For which employees can this method be used?	<ul style="list-style-type: none"> ▪ For each full-time employee who received a qualifying offer (see below for definition of “qualifying offer”) for all 12 months of the calendar year ▪ For employees that received a qualifying offer for all 12 months of the calendar year but were full-time employees for less than 12 months of the year
What makes an employer eligible to use this method?	<p>The employer must certify that for all months that the employee was full-time, the employer offered to one or more of its full-time employees</p> <ul style="list-style-type: none"> ▪ A qualifying offer, meaning the health coverage offered provided <ul style="list-style-type: none"> - Minimum essential coverage, - Minimum value, and - Was at an employee cost for employee-only coverage <ul style="list-style-type: none"> ▪ not exceeding 9.5 percent of the mainland single federal poverty line, and - The offer was extended to those employees’ spouses and dependents
How will the reporting be simplified?	<p>Required information on these employees is significantly reduced. It is anticipated that this information will include</p> <ul style="list-style-type: none"> ▪ Employee’s name ▪ SSN ▪ Address <p>By use of an indicator code, the employer will indicate that the qualifying offer was made for all 12 months of the calendar year</p>
What is provided to the employee under this method?	<ul style="list-style-type: none"> ▪ A copy of the form used to report the above information to the IRS, or

Table 3. Alternative Reporting Methods for Section 6056

Alternative Methods	6056 Applicable Large Employers
	<ul style="list-style-type: none"> A general statement that the employee, spouse, and dependents received a qualifying offer for all 12 months of the calendar year and therefore they are generally ineligible for a premium tax credit for all of those 12 months
<p>How should the employer report on other employees?</p>	<p>The general reporting method must be used for all other full-time employees who received a qualifying offer for less than 12 months of the year. For example:</p> <ul style="list-style-type: none"> Because the full-time employee was an employee for fewer than 12 months because the employee was hired or terminated employment during the calendar year, or Was in a permissible waiting period or look-back measurement period for one or more months
<p>ALTERNATE METHOD 2: Alternative method based on certification of qualifying offers for 2015 (95 percent)</p>	<p>This method can be used solely for 2015</p>
<p>For which employees can this method be used?</p>	<p>For all full-time employees</p>
<p>What makes an employer eligible to use this method?</p>	<p>The employer must</p> <ul style="list-style-type: none"> Certify that it has made a qualifying offer to at least 95 percent of its full-time employees and to their spouses and dependents
<p>How will the reporting be simplified?</p>	<p>Information needing to be reported is far less than for the general reporting method</p> <ul style="list-style-type: none"> Employee's name SSN Address <p>By use of an indicator code, either that a qualifying offer was made for</p>

Table 3. Alternative Reporting Methods for Section 6056

Alternative Methods	6056 Applicable Large Employers
	<ul style="list-style-type: none"> ▪ All 12 months, or ▪ The specific months it was not offered
<p>What is provided to the employee under this method?</p>	<p>A statement will be furnished to each full-time employee that received a qualifying offer for all 12 months of the calendar year informing them that</p> <ul style="list-style-type: none"> ▪ The employee, spouse, and dependents <ul style="list-style-type: none"> - Are ineligible to claim a premium tax credit for any of the 12 months <p>If the qualifying offer did not apply to the employee for all 12 months of the calendar year, the statement will inform the employee that</p> <ul style="list-style-type: none"> ▪ The employee, spouse, and dependents <ul style="list-style-type: none"> - May be eligible for premium tax credits for one or more of the 12 months <p>The statement furnished to employees must include</p> <ul style="list-style-type: none"> ▪ A contact name ▪ Contact telephone number <ul style="list-style-type: none"> - From whom further information may be obtained regarding the offer of coverage that may affect the eligibility for the premium tax credit
<p>ALTERNATE METHOD 3: Option to report without separate identification of full-time employees (98 percent offers)</p>	<p>This simplified method allows an employer to report without identifying or specifying the number of full-time employees</p>
<p>For which employees can this method be used?</p>	<p>For all employees</p>
<p>What makes an employer eligible to use this method?</p>	<p>The employer must</p>

Table 3. Alternative Reporting Methods for Section 6056

Alternative Methods	6056 Applicable Large Employers
	<ul style="list-style-type: none"> ▪ certify that it offered coverage to at least 98 percent of the employees on whom it reports in its section 6056 return ▪ the offer of coverage must be <ul style="list-style-type: none"> - of minimum value and - affordable (under any affordability safe harbor)
<p>How will the reporting be simplified?</p>	<p>The employer will report on all of its employees under the general reporting method but will not have to indicate whether the employee is full-time. In addition, the employer will not need to report the number of its full-time employees</p>
<p>What is provided to the employee under this method?</p>	<p>A copy of the form used to report information on the employee to the IRS</p>