

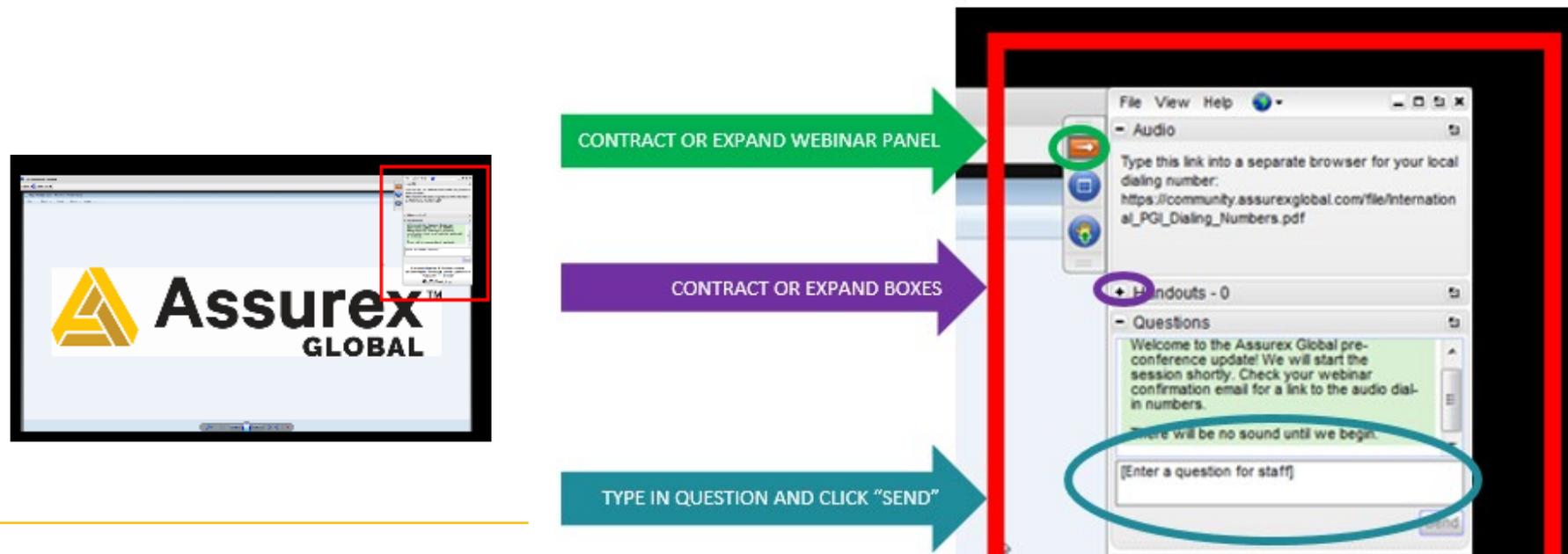
2020

# Employer Reporting 2020 Update

Presented by Benefit Comply

## Employer Reporting Update 2020

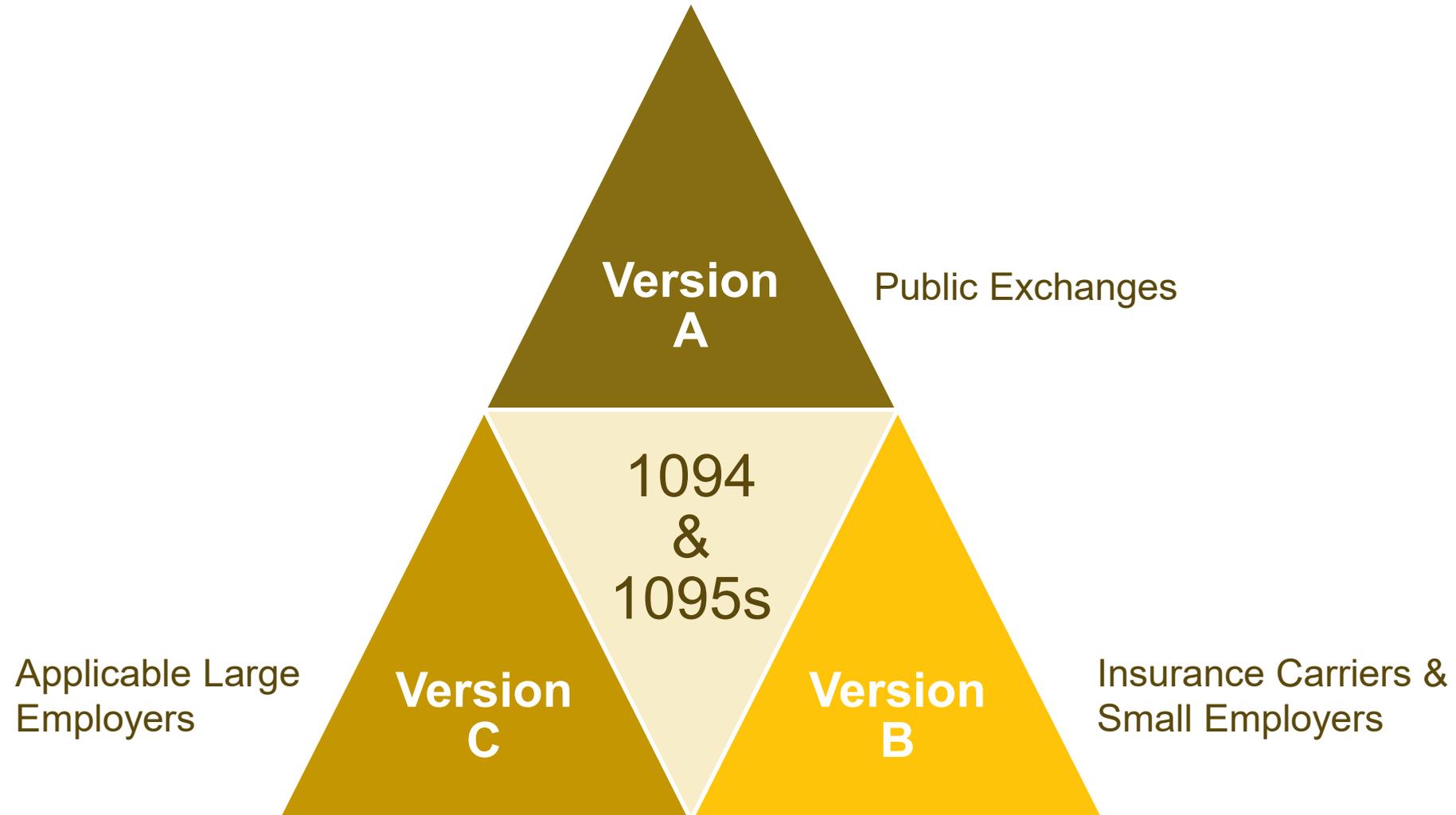
- Welcome! We will begin at 3 p.m. Eastern
- There will be no sound until we begin the webinar. When we begin, you can listen to the audio portion through your computer speakers or by calling into the phone conference number provided in your confirmation email.
- You will be able to submit questions during the webinar by using the “Questions” or “Chat” box located on your webinar control panel.
- Slides can be printed from the webinar control panel – expand the “Handouts” section and click the file to download.



## Assurex Global Partners

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- PayneWest Insurance
- Pritchard & Jerden
- R&R/The Knowledge Brokers
- RCM&D
- The Rowley Agency
- Starkweather & Shepley
- Sterling Seacrest Partners
- The Underwriters Group
- Woodruff Sawyer

# Employer Reporting Forms



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# Employer Reporting Deadlines

## IRS Reporting Deadline

March 1<sup>st</sup> by mail / March 31<sup>st</sup> electronically

- Submit Form 1094 and all Form 1095s
- Employers filing 250 or more Form 1095s must submit forms electronically

## Copies to Individuals

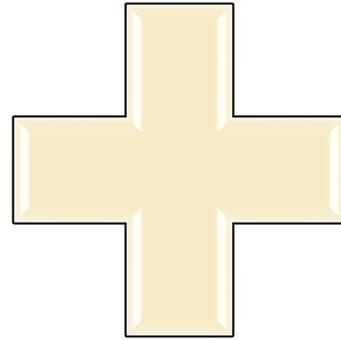
March 2<sup>nd</sup>

- Provide copies of Form 1095s to full-time employees and covered individuals
- Forms may be delivered by hand, mail, or electronically if consent is given
  - Employers may post on their website that 1095-Bs are available upon request

# Employers Subject to Reporting

**Applicable large employers**

**Required to report offer of coverage information for all employees who were full-time for at least one month**



**All size employers offering self-funded group medical plans**

**Required to report coverage information for all individuals who enrolled in the self-funded group medical plan**

# ALE (“C” Forms”)

## Form 1094-C

- Report by EIN
- Part III, Column (a) marked “yes” to show compliance with §4980H(a)

## Form 1095-C

- Report offer of coverage information for any employee who was full-time for at least 1 month in Part II, Lines 14-17
- Report enrollment in self-funded plans in Part III

- NEW for 2020
  - Must report plan start month in Part II on Form 1095-C (previously optional)
  - Individual coverage HRA (ICHRA) reporting in Part II of Form 1095-C
    - Must report employee’s age as of January 1<sup>st</sup>, 2020
    - Must report zip code of residence or primary site of employment on Line 17

# Offer of Coverage Reporting Tips

## Line 14 (Offer of Coverage)

- ✓ Must be coded for all 12 months
- ✓ Offer of coverage valid only if available for the entire month
- ✓ Offer of coverage valid for 12 months, and COBRA counts as an offer of coverage
- ✓ Coding not affected by whether employee enrolled or waived
- ✓ Most employers use one code to indicate an offer (e.g. 1E) and one to indicate no offer (1H)
- ✓ Codes 1A – 1K are for traditional group medical plans, and Codes 1I – 1S are for individual coverage HRAs (ICHRAs)

## Line 15 (Employee Contribution)

- ✓ Use lowest cost minimum value employee-only coverage offered
- ✓ Adjust the amount if the employee contribution changes for active coverage or COBRA
- ✓ HSAs and HRAs generally do not affect the employee contribution
- ✓ Be careful with opt-out incentives and flex credits
- ✓ If a wellness incentive affects the employee contribution, use the non-wellness rate (unless tobacco-related)
- ✓ Individual coverage HRAs (ICHRAs) = lowest cost silver Marketplace plan – monthly ICHRA contribution

# Offer of Coverage Reporting Tips

## Line 16 (Safe Harbors)

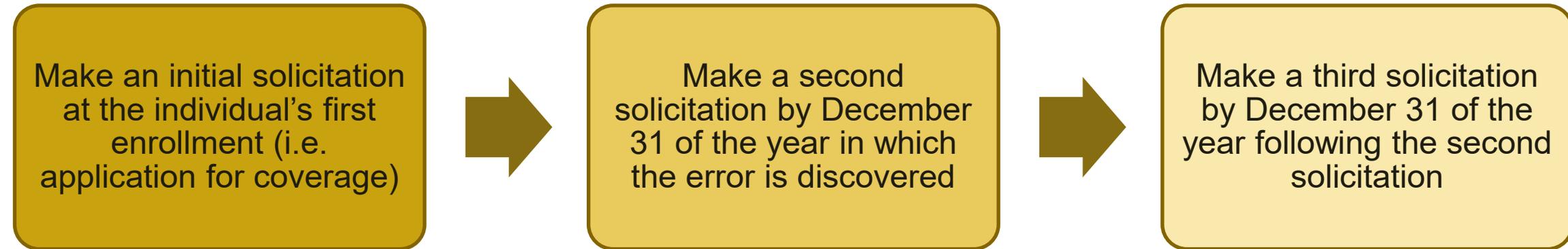
- ✓ Not necessary to enter a code if no code applies
- ✓ Code 2C is always used when the employee enrolled
  - Unless the employer is using 2E to indicate multiemployer (union) transition relief
- ✓ Code 2D is used for the first partial month of employment, a waiting period or initial measurement period
- ✓ No specific code for when an employee waived
  - Code 2B if part-time
  - If full-time, use an affordability safe harbor code (i.e. Code 2F, 2G or 2H) if applicable

## Line 17 (Zip Code)

- ✓ An ALE who offers an ICHRA to an employee must complete Line 17 on the employee's 1095-C
- ✓ Zip code entered on Line 17 should reflect the zip code used by the employer to determine affordability (i.e. employee's residence or primary site of employment)

# Reporting Errors

- Name/SSN Mismatch
  - Required only when reporting enrollment in a self-funded group medical plan
  - Generally required to make at least 3 attempts to obtain accurate information



*If employer discovers correct information, the 1095 should be corrected as soon as possible. But if employer is unable to obtain better information, simply document the 3-step process for audit purposes*

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# IRS Enforcement

## Letter 226J

- IRS proposes assessments based on self-reporting of §4980H compliance and subsidized Marketplace enrollment
  - Good faith relief available for those who complied with §4980H requirements, but reported incorrectly

## Letter 5699

- IRS is reaching out to employers who appear to be applicable large employers (based on Form W-2s filed) and did not report

## Letter 972CG

- IRS is enforcing penalties for late or missed filings
- Penalty is increased to \$280/form for 2020 reporting (up from \$270)

# State Individual Mandate Reporting

- State Individual Mandates
  - California, Massachusetts, New Jersey, Rhode Island, Washington D.C.

	Required Forms	Reporting Deadlines
<b>California</b>	Form 1094 and Form 1095s	<ul style="list-style-type: none"><li>• Statements to covered individuals due January 31<sup>st</sup></li><li>• Filing with FTB due March 31<sup>st</sup></li></ul>
<b>Massachusetts</b>	Form 1099-HC	<ul style="list-style-type: none"><li>• Statements to covered individuals due January 31<sup>st</sup></li><li>• Filing with DOR due March 31<sup>st</sup></li></ul>
<b>New Jersey</b>	Form 1094 and Form 1095s	<ul style="list-style-type: none"><li>• Statements to covered individuals due March 2<sup>nd</sup></li><li>• Filing with DORES due March 31<sup>st</sup></li></ul>
<b>Rhode Island</b>	Form 1094 and Form 1095s	<ul style="list-style-type: none"><li>• Statements to covered individuals due January 31<sup>st</sup></li><li>• Filing with DOT to be determined</li></ul>
<b>Washington D.C.</b>	Form 1094 and Form 1095s	<ul style="list-style-type: none"><li>• Statements to covered individuals due January 31<sup>st</sup></li><li>• Filing with the OTB due 30 days after federal reporting</li></ul>



# §4980H (Employer Mandate) Requirements

## §4980H(a)

- ALEs must offer minimum essential coverage to 95% (or all but 5, if greater) of full-time employees and their dependent children
- 2020 Penalty - \$214.17/mo. (\$2,570/yr) X (full-time employees – 30)

## §4980H(b)

- ALEs must offer coverage that provides minimum value AND is affordable to all full-time employees
- 2020 Penalty - \$321.67/mo. (\$3,860/yr) X each full-time employee who purchased subsidized coverage through a public Marketplace

# §4980H (Employer Mandate) Requirements

## Minimum Essential Coverage

- Most employer-sponsored group health plans considered MEC

## Minimum Value

- Minimum value = actuarial value of 60% or better
- SBC must specify whether plan provides minimum value

## Affordability

- Coverage is “affordable” if the employee contribution for single minimum value coverage doesn’t exceed a set percentage of the employee’s household income (or one of the affordability safe harbors)

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# Affordability Safe Harbors

## Federal Poverty Level (FPL)

Monthly cost cannot exceed % of FPL

- 2020 Calendar year plan = \$101.79 or less per month (9.78% x \$12,490 / 12)
- 2020 Non-calendar year plan = \$103.99 or less per month (9.78% x \$12,760 / 12)

## Rate of Pay

Monthly cost cannot exceed % of hourly rate x 130 or monthly salary

- Hourly Employees – Must use hourly rate as of the beginning of the coverage period, unless it is reduced
- Salaried Employees – If the monthly salary is reduced, this safe harbor is not available

## Form W-2

Annual cost does not exceed % of Box 1 wages

- Employee's contribution must remain a consistent amount or percentage of Form W-2 wages during the year or this safe harbor is not available

# Applicable Large Employers (ALEs)

- ALE = 50 or more full-time equivalents (FTEs) in previous calendar year

Calculating ALE Status			
<b>Step 1</b> <ul style="list-style-type: none"><li>• Count employees with 120 or more hours of service for each month</li></ul>	<b>Step 2</b> <ul style="list-style-type: none"><li>• For each month, aggregate hours of service for all other employees (with &lt;120 hours) and divide the total by 120</li></ul>	<b>Step 3</b> <ul style="list-style-type: none"><li>• Add the numbers from Steps 1 and 2 for each month and round to the nearest hundredth</li></ul>	<b>Step 4</b> <ul style="list-style-type: none"><li>• Add up the totals for each month from Step 3 and divide the number by 12</li></ul>

- Tips for Determining ALE Status
  - ✓ Count all employees (including seasonal and union employees)
  - ✓ For each month, count all hours of service for any employee employed for at least one day during the month (“hours of service” include all hours paid or payable with U.S.-source income)
  - ✓ Aggregate FTEs for entities within the same controlled group or affiliated service group
  - ✓ In mergers and acquisitions, no clear guidance and no way to report for a partial year

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# Full-Time Status

## Full-Time Employees

- *Employed an average of at least 30 hours of service per week (130 per month)*
  - *Count all hours paid or payable, including paid time off (e.g. FFCRA)*
- *Monthly vs. Look-Back Measurement Method Approach*
  - *For reporting purposes, employers must determine full-time status monthly or using the look-back measurement method, even if eligibility rules are different*

## Variable Hour Employees

*“...based on the facts and circumstances at the employee's start date...cannot determine whether the employee is reasonably expected to be employed on average at least 30 hours of service per week during the initial measurement period because the employee's hours are variable or otherwise uncertain”*

## Seasonal Employees

*“...an employee who is hired into a position for which the customary annual employment is six months or less”*

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# Full-Time Status

- Break in Service = Period of time with no hours of service (e.g. during a leave of absence, furlough or when employment is terminated and then the employee is rehired)
- Upon Return to Work

<13 weeks

**Continuing Employee**

- If previously covered, must offer coverage by 1<sup>st</sup> of month following return
- Measurement and stability periods continue

13+ weeks

**New Hire**

- May impose a new waiting period or initial measurement period

Rule of Parity – break in service was 4+ weeks and longer than weeks of employment prior to the break

# Reporting Examples

- **SCENARIO 1 – Monthly Measurement Method**
  - Employee worked full-time January – May. The employee contribution for single medical coverage was \$140/month and employee enrolled in single coverage
  - Employee was furloughed in mid-June – August. Coverage terminated and COBRA was waived July – August (single coverage \$470/month)
  - Employee returned to work full-time September – December and was offered and enrolled in coverage at \$140/month for all 4 months

Form 1095-C													
Part II	Employee Offer and Coverage												
	All 12 Months	Employee's Age on January 1:					Plan Start Month (enter 2-digit number): 01						
	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													

# Reporting Examples

- **SCENARIO 2 – Monthly Measurement Method**
  - Employee worked full-time January – May. The employee contribution for single medical coverage was \$140/month and employee enrolled in single coverage
  - Employee was furloughed in mid-June – August. Coverage terminated and COBRA was waived July – August (single coverage \$470/month)
  - Employee returned to work full-time September – December and was offered and enrolled in coverage at \$140/month for December after a 60-day waiting period

Form 1095-C													
Part II Employee Offer and Coverage													
	All 12 Months	Employee's Age on January 1:										Plan Start Month (enter 2-digit number): 01	
		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	1B	1B	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	\$470.00	\$470.00	\$140.00	\$140.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2B	2B			2C	2C
17 Zip Code													

# Reporting Examples

- **SCENARIO 3 – Look-Back Measurement Method**
  - Employee worked full-time January – May. The employee contribution for single medical coverage was \$140/month and employee enrolled in single coverage
  - Employee was furloughed in mid-June – August. Coverage terminated and COBRA was waived July – August (single coverage \$470/month)
  - Employee returned to work full-time September – December and was offered and enrolled in coverage at \$140/month for all 4 months

Form 1095-C													
Part II Employee Offer and Coverage													
	All 12 Months	Employee's Age on January 1:											
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Plan Start Month (enter 2-digit number): 01													
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			2C	2C	2C	2C
17 Zip Code													

# Reporting Examples

- **SCENARIO 4 – Look-Back Measurement Method**
  - Employee worked full-time January – May at \$14/hour. The employee contribution for single medical coverage was \$110/month and employee enrolled in single coverage
  - Employee was furloughed mid-June – August. Coverage continued to be available, but the employee contribution increased to \$160/month, so employee waived
  - Employee returned to work full-time September – December and was offered and enrolled in coverage at \$110/month for all 4 months

Form 1095-C													
Part II	Employee Offer and Coverage												
	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		\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00	\$160.00	\$160.00	\$110.00	\$110.00	\$110.00	\$110.00
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2C	2C	2C	2C	2C	2C	2H	2H	2C	2C	2C	2C
17 Zip Code													

# Reporting Examples

- **SCENARIO 5 – Monthly Measurement Method**
  - Employee worked full-time January – April. The employee contribution for single medical coverage was \$140/month and employee enrolled in coverage with his spouse
  - Employee was furloughed May – September. Coverage terminated and COBRA was waived July – August (single coverage \$470/month)
  - Employee returned to work full-time October – December and was offered and enrolled in coverage at \$140/month for December after a 60-day waiting period

Form 1095-C

Part II	Employee Offer and Coverage												
	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	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	2B	2B	2B	2B	2B	2D	2D	2C
17 Zip Code													

# Reporting Examples

- **SCENARIO 6 – Look-Back Measurement Method**
  - Employee worked full-time January – April. The employee contribution for single medical coverage was \$140/month and employee enrolled in coverage with his spouse
  - Employee was furloughed May – September. Coverage terminated and COBRA was waived July – August (single coverage \$470/month)
  - Employee returned to work full-time October – December and was offered and enrolled in coverage at \$140/month for December after a 60-day waiting period

Form 1095-C

Part II	Employee Offer and Coverage												
	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	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													

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