

AFFORDABLE CARE ACT (ACA) IMPACTS FOR THE 2016 TAX YEAR

The Affordable Care Act (ACA) is a set of national health insurance reforms that began in 2010. The ACA includes a variety of provisions designed to reform the health insurance market and encourage small businesses to offer insurance.

Beginning January 1, 2016, employers with 50 or more full-time equivalents were considered “large employers” and required to offer employee healthcare coverage, or pay a penalty. Large employers were also required to report to the IRS on the employee health coverage offered or not offered.

Is your business considered a large employer under ACA guidelines? The answer is “YES” if:

- You employ an average of 50 or more full-time employees who worked an average of at least 30 or more hours per week in a calendar year.
- You employ 50 full-time equivalents (FTEs) on your payroll during a calendar year.
- You have fewer than 50 FTEs but belong to a controlled or common service group with common owners, collective services or partnerships that collectively have at least 50 FTEs during a calendar year.

Is your business required to comply with the new ACA reporting requirements?

To determine if you are required to comply for the 2016 tax year, you must determine if you were a large employer in 2015 (reference the questions above and apply to the 2015 calendar year). HORNE can assist in determining if you are required to comply with the ACA reporting requirements and consult with you on a monthly tracking system for hours worked.

What are your employee health insurance coverage obligations as a large employer?

You are required to provide at least “minimum essential coverage.” The ACA requires that minimum essential coverage be affordable and provide minimum value. Large employers may be subject to a penalty if they do not offer health coverage, or if the coverage does not provide minimum essential coverage.

- For tax year 2016, health coverage is defined as affordable if the amount an employer charges for employee-only coverage does not exceed 9.66% of the employee’s W-2 wages, rate of pay, or the federal poverty level for the year.
- A health plan is considered to provide minimum value if it is designed to pay at least 60% of the total cost of medical services for a standard population.
- Large employers are required to offer minimum coverage to 95% of their employees.

Your health insurance provider (third-party administrator or broker, if your company is self-insured) can provide guidance on whether or not your plan meets the minimum essential coverage requirements.

THE BOTTOM LINE

The IRS reporting requirements for healthcare coverage in businesses with more than 50 full-time equivalent employees have been slightly modified for the 2016 tax year.

Now is the time to make sure your company can comply with the reporting requirements.

What are your IRS reporting requirements as a large employer?

To ensure compliance with the minimum essential coverage standard, Section 6056 of the Internal Revenue Code mandates that large employers provide 1095 statements to full-time employees about the health insurance coverage offered, and file Form 1094 and Forms 1095 for all employees with the IRS.

Filing requirements are based on health plan and number of employees. For the 2016 tax year, large employers will be required to:

- Furnish 1095 statements to employees by January 31, 2017, that must be filed with their individual tax returns (just like W-2s).
- File Form 1094 with the IRS to report information on whether or not affordable minimum essential coverage was offered, and enrollment by eligible employees.
- File Form 1094 electronically if filing for more than 250 employees.
- File Form 1094 so that it arrives at the IRS by February 28, 2017, if filing by paper (250 or fewer employees only).
- File Form 1094 electronically so that it arrives at the IRS by March 31, 2017.

Forms 1095-B or 1095-C Information Returns

Beginning in 2016, large employers are required to furnish statements, Form 1095-C, to full-time employees to report information on health coverage offers. The reporting system for Form 1095-C (large employers) is similar to the current W-2 reporting system. Forms must be prepared for each applicable employee, and filed with the IRS.

To lessen the burden of gathering information at year end, monthly tracking of hours and insurance coverage is recommended. Although filed annually, Form 1095 requires coverage information for each month of the calendar year. Any month an employee was not offered coverage must be coded to indicate the reason.

If your company is self-insured, and a large employer, additional information is required on Form 1095-C, including who in the individual's household was covered and when. Self-insured employers with less than 50 employees will be required to file Form 1095-B.

What are the penalties for non-compliance?

The IRS has imposed penalties for neglecting to file, or for filing incorrect or incomplete information:

- The general penalty for failure to file Form 1094 with the IRS is \$250 per employee record.
- Employers who fail to furnish correct Forms 1095 to employees are subject to penalties of up to \$250 per return.
- The cap on total penalties for failures in a calendar year is double up to \$3,000,000.

If failure is due to intentional disregard, the \$250 penalty is doubled for each failure and there is no cap on the penalties that can be applied in a calendar year.

HORNE can help.

For most businesses, understanding and implementing the ACA requirements is a time-consuming process.

If you have questions about determining whether these mandates apply to you, need guidance regarding the required data to collect, or you need to know when to compile and file required IRS forms, HORNE can help. We are dedicated to helping you manage risk, ensure compliance and prevent surprises so you can focus on building your business.

CONNECT WITH US TO GET STARTED.

Contact your HORNE advisor, go to our website, or call 601.326.1000 for insights and assistance with questions.



Clients turn to HORNE for the foresight, straight talk, and collaboration needed to navigate the challenges of growth, regulatory compliance and risk mitigation. HORNE is a decidedly different CPA and advisory firm who goes beyond traditional accounting services, steering clients through the uncertainties and opportunities ahead.