



REFORM UPDATE

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FINAL 2015 INSTRUCTIONS AND FORMS – 1094-C AND 1095-C

The IRS recently released the final 2015 1094-C and 1095-C forms and instructions. Employers can find them at the following links:

- Instructions for Forms 1094-C and 1095-C: <https://www.irs.gov/instructions/i109495c/ar01.html>
- Form 1094-C: <https://www.irs.gov/pub/irs-prior/f1094c--2015.pdf>
- Form 1095-C: <https://www.irs.gov/pub/irs-prior/f1095c--2015.pdf>

The final forms and instructions are slightly different from the 2015 drafts described in our *Reform Update* at http://mcgrawwentworth.com/wp-content/uploads/Reform_Update_110.pdf. This *Reform Update* highlights those differences.

Applicable Large Employers (employers with 50 or more full time equivalent employees) must submit at least one 1094-C form for the organization and produce 1095-Cs for full-time employees in 2015. The number of employees is determined at the IRS control group level. Reporting is done at the employer/EIN level. Employers with self-funded medical plans will also have to produce 1095-C forms for anyone covered under the plan who is not considered a full-time employee.

INSTRUCTIONS FOR FORMS 1094-C AND 1095-C

The final instructions differ to some extent from the draft formats. Following are highlights of the key points in the instructions:

- The IRS changed the reporting requirements for Health Reimbursement Arrangements (HRAs). The draft instructions would have required all employers to report anyone covered under a self-funded HRA, despite the fact the regulations did not require this report when the HRA was paired with a comprehensive health plan. The final instructions do not require employers with HRAs to report the HRA separately in specific situations. If the employer plan is fully-insured and eligibility for the HRA is tied to eligibility for the employer's insured plan, the employer does not have to report who is covered under the HRA in Part III of Form 1095-C. If both the employer plan and the HRA are self-funded, the employer needs to report on only one of the plans in Part III. Employers that offer their retirees standalone HRAs will need to report this coverage as a sponsor of a self-funded plan. This reporting can use Forms 1094-B and 1095-B.

- The final instructions significantly simplified reporting COBRA participants in a self-funded plan. Employers can use “IH” on line 14 to indicate no offer of coverage when an employee has terminated. The employer would use “2B” on Line 16 for the month of termination and use “2A” for the remaining months of the year that employee is no longer working for the company. For self-funded plans, the employer would then include all the details on the individuals the plan covers during the full 12 months under Part III.
- Employers do not need to report on employees who are in limited non-assessment periods for the reporting period (the calendar year). These employees are not considered full-time employees. For example, assume a full-time employee is hired on November 1, 2015. The employer’s health plan has a 90-day new-hire waiting period. The employer does not need to complete a 1095-C form on this employee in 2015 because the employee was in a limited non-assessment period during the only months in the 2015 calendar year that person was employed.
- Some employers may be qualified to send substitute statements to employees, rather than completing 1095-C forms. The circumstances for sending these substitute statements are limited. The rule applies only to employers that insure their plan and provide qualifying offers to employees. Our understanding is that these employers will still need to submit completed 1095-C forms to the IRS. The IRS posted draft rules on substitute statements. They can be found in *Publication 5223* at <https://www.irs.gov/pub/irs-dft/p5223--dft.pdf>.
- Employers can file for extensions on some of the due dates. An automatic 30-day extension is available for the IRS filing due on February 28 if filing on paper and March 31 if filing electronically. This extension is automatic if the employer files Form 8809 by the due date of the returns. Form 8809 can be found at <https://www.irs.gov/pub/irs-pdf/f8809.pdf>. Under certain hardship conditions, an employer can apply for a second 30-day extension. The instructions for Form 8809 provide more details on filing for a second 30-day hardship extension. You can submit the extension online through the FIRE system. You are encouraged to submit requests using the online “fill-in” form.

Employers can also request an extension on the 1095-C forms that need to be sent to full-time employees by January 31. They can send a letter requesting this extension to:

Internal Revenue Service
Information Returns Branch
Attn: Extension of Time Coordinator
240 Murall Drive
Mail Stop 4360
Kearneysville, WV 25430

The letter must include the following information:

- Filer name
- Filer Tax ID Number
- Filer address
- Type of return (1095-C)
- A statement that the extension request is for providing statements to recipients

- Reason for the delay
- The signature of the filer or authorized agent

The request letter must be postmarked by or before the date the statements are due to recipients.

- If an employer produces more than 250 Form 1095-Cs, the employer must file electronically with the IRS. However, employers can submit Form 8508 to waive this requirement. This form can be found at <https://www.irs.gov/pub/irs-pdf/f8508.pdf>. The employer must file it at least 45 days before the filing deadline. Waivers are approved for specific tax years. If an employer has an approved waiver for the 2015 tax year, the 1094 C and 1095 Cs and any corrections to those forms can be submitted on paper.
- The final instructions made no changes to the correction process discussed in *Reform Update 110*. It is important to understand that employers required to file these forms electronically can provide corrected paper forms if they issue fewer than 250 corrected forms.
- The final instructions discuss employers that qualify for multi-employer arrangement interim guidance. This situation will commonly occur when an employer contributes to a union plan, but the union is the actual plan sponsor. These plans are treated as employer-sponsored health plans for employer mandate purposes. In these situations, an employer should enter "1H" indicating the employer did not offer coverage. On line 16, the employer should enter "2E" indicating that the employer qualifies for interim guidance regarding multi-employer plan relief.

The instructions include significant details on employer reporting requirements. If you are responsible for the reporting requirements in your organization, be sure to read these instructions carefully. Even if your organization has hired a vendor to produce the forms, the IRS stresses that employers should review the forms for accuracy. You need to understand the data on the form to check for accuracy.

FORM 1094-C

The final 2015 Form 1094-C is very similar to the draft form. The following highlights key Form 1094-C points:

- The final form moved the location of line 19 (indicating authoritative transmittal) to Part I.
- Employers eligible for any of the "qualifying offer" options or eligible for transitional relief should check the appropriate options on Line 22. The final instructions detail each option to help employers understand which ones they should select. These options can either simplify the reporting process or indicate the employer qualifies for transitional relief.

The 1094-C form and associated instructions had relatively few changes from the earlier draft instructions explained in *Reform Update 110*.

FORM 1095-C

The final 2015 1095 C form had very little change as well. The latest draft kept the plan start date field. Although completing the plan start date is optional in 2015, it will be required in 2016. The employer should enter the first month of the plan year in this field. For example, if the plan year starts in January, enter "01" in the field; if the plan year starts in July, enter "07" in the field. If the employee is not covered under the employer plan, enter "00" in the field.

The following highlights key points related to Form 1095-C:

- The final 2015 1095-C form includes an extra page titled "Instructions for Recipient." The instructions explain employees can use this form to determine whether they are eligible for tax credits in the Marketplace. It also explains that if the employer self-funds the medical plan, this form proves coverage when employees file their 2015 tax returns. The instructions explain the "1" series codes used in line 14. It also explains the information provided in lines 15 and line 16.
- Employers may enter a truncated social security number on the Form 1095-C they provide to employees, but they must include the full social security number on the filing they send to the IRS.
- Employers must include a "1 series" for all 12 months of the year. If the code is the same for all 12 months, they can enter it in the all 12 months box.

Employers should be actively managing the reporting process. Employers producing the forms on their own should understand how they will populate their forms. In addition, employers required to submit the forms electronically must meet certain requirements. Employers will find submitting forms on their own will be difficult. Your organization can contract with a vendor simply to populate and submit forms.

Organizations contracting with vendors to do the reporting should stay in contact with the vendor. An organization should understand the process and timeline for producing the forms and the obligation to supply information to that vendor.

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