2015 Payroll Fact Sheet

Understanding PPACA Reporting Requirements

Very few of us are ready for the new **PPACA reporting requirements**. Many of us are aware that reports are due at year end, but haven't even looked at the rules. Should we be concerned? The answer depends upon your company size.

What are we talking about? The requirement mandates applicable large employers (those with 50 or more full-time equivalent employees) to report on group health coverage offered to employees or to disclose that health coverage was not offered to employees in 2015. There are two reports employers must prepare: (1) an annual information return that is filed with the Internal Revenue Service (IRS), and (2) statements to provide to full-time employees about the group health plan coverage offered. As such:

* Internal Revenue Code § 6056 requires applicable large employers with fully-funded health insurance to provide the annual statement (IRS Form 1095-C) to each full-time employee detailing the employer's health coverage offer.

* Internal Revenue Code § 6055 requires employers that provide minimum essential coverage under a self-funded (uninsured) plan to provide the annual statement to covered employees (either IRS Form 1095-B or 1095-C, based on company size).

* Employers also must file copies with the IRS using one of the Forms 1094 transmittal documents.

The new reports are intended to help the IRS administer provisions under the Patient Protection and Affordable Care Act relating to the individual and employer mandates for health coverage. Specifically, the IRS will use information reported by employers to determine:

* Whether applicable large employers failing to offer affordable minimum value coverage to full-time employees may be subject to potential penalties;

* If employees are (or are not) eligible for subsidies when they purchase health insurance in the individual health Insurance exchange; and

* Whether individuals who are enrolled in minimum essential coverage satisfy PPACA's individual mandate.

The bottom line is that these are important tax forms with potentially serious financial consequences to employers. Under the employer shared responsibility provisions of PPACA, often called "play or pay," year-end is when employers tell the government, through these reports, whether or not they chose the "play" option by providing their full-time employees and dependents affordable minimum essential health coverage that satisfies PPACA mandates or whether they may have to "pay" the employer shared responsibility premium penalties outlined in the law. Experts predict that these forms will receive a very high level of scrutiny by the government, so employers need to produce accurate and complete reports.

How will employers know if this reporting requirement applies to them? Applicable large employers subject to this reporting include all employers with 50 or more full-time employees and full-time equivalent employees, including governmental and nonprofit employers. A full-time employee is generally defined as a common-law employee averaging 30 or more hours of service per week, and an hour of service includes each hour in which payment is made or due to the employee, including hours worked, vacation, holiday, paid time off, or other types of leaves. Small employers with under 50 full-time equivalent employees offering insured group health plan coverage are exempt from the reporting requirements, with one exception: Small employers sponsoring self-funded health plans are subject to reporting requirements under Code § 6055.

While PPACA offered some employers (those with 50–99 employees) transition relief in 2015 from potential employer shared responsibility coverage penalties, this relief does not extend to the new reporting requirements.

When must these be filed? The requirement applies for calendar year 2015 with reports due in early 2016:

• 2015 Form 1095 (employee statement): Due February 1, 2016.
• 2015 Form 1094 (transmittal form with copies of Forms 1095-C): Due February 29, 2016 (or March 31, 2016, if filing electronically).

The due dates are the same as the due dates for Forms W-2 and W-3 for the same calendar year.
This should be simple, right? Simple, probably not. Doable, absolutely yes. Keep in mind these are IRS forms.

ThinkHR recently conducted an informal poll of its customers to determine how knowledgeable they felt about the reporting requirements and learned that 75 percent were not confident that they knew enough today to file the reports. In addition, PricewaterhouseCoopers (PwC) conducted a survey in the first quarter of 2015 with 480 employers in 36 different U.S. industries that confirmed these new requirements are presenting challenges and many employers have not decided how they will comply.

The year is half over and for those employers that haven't started collecting the required data, it is time to get started. While many employers believe that their payroll systems are capturing all of the data they need, this may not be the case. The PwC report revealed that 65 percent of survey participants indicated that the quality of the data available was a concern, because for many employers there are other systems outside of payroll that may be capturing the information needed, such as the company's HRIS, benefits administration, time off and leave of absence administration systems as well as having data housed with outside third party vendors. The results also show that many of the survey participants are considering outsourcing this function to outside vendors. Because this information must be aggregated on a month-by-month basis, compliance managers are seeing the time slipping away to organize all of this information and determine the right solution.

What information should employers be collecting? Employers will need the following information in order to complete the reports:

* Identifying information for the employer and employee, such as name and address.
* Names of full-time employees for each month of the year.
* Information about the health coverage offered by month, if any.
* The employees' share of the monthly premium for the lowest-cost self-only minimum value coverage.
* Months each employee was enrolled in the coverage.
* Months the employer met an affordability safe harbor with respect to an employee and whether other relief applied for an employee.
* If the employer offers a self-funded plan, information about the covered individuals enrolled in the plan, by month.
* Information about whether the employer offered coverage to 70 percent of full-time employees and their dependents in 2015 (after 2015, this threshold changes to 95 percent).
* Total number of Forms 1095-C the employer issued to employees.
* Information about members of the aggregated applicable large employer group, if any.
* Full-time employee counts by month.
* Total employee counts by month.
* Whether employers are eligible for certain transition relief.

Tips to get started. To make the end of the year reporting easier, employers should:
1. Learn the details of the filing requirements and compliance requirements for the company.
2. Pull together the internal team (human resources, finance, and legal) to determine who owns this reporting responsibility and ensure that the company's internal system(s) and third party vendors are capturing all of the data required for accurate and timely reporting.
3. Understand that the information will come from various sources, both inside and outside the company. Some of the information will be housed in benefits, payroll, and reporting time off data. For applicable self-funded plans, employers may need to start collecting Social Security numbers for dependents.
4. Determine if the reporting will be outsourced to a third party vendor and ensure that the information the vendor will need is available for reporting.
5. Review the organization's compliance with the employer mandate rules. Employee hours of work and benefits eligibility must be captured monthly. If an employer does not count an employee's hours of service accurately, the worker could be misclassified, and that could lead to an employer mandate ("play or pay") penalty for failure to offer coverage, a penalty for violating the 90-day waiting period limitation, and/or lawsuits from the employee.
6. Finally, consider now the method of delivery of the reports, especially to employees. If considering electronic communications, get the process and the consents in place before the end of the year.

Get going with these tips to make the year end reporting process smoother. **The time is now.**

14950 East Jefferson, Suite 100 Grosse Pointe, Michigan 48230 Office 313-331-4595 Fax 313-331-0874
2352 Main Street, Suite 303, Concord, Massachusetts 01742 Office 978-450-2900 Fax 978-319-4104