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The Employer Shared Responsibility Provisions Beginning Calendar Year 2015

*What You
Need to Know*



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What Employers Need to Know

- Fewer than 50 full-time employees (including full-time equivalent employees) – § 4980H does not apply
- Applicable Large Employer (ALE) status
- Employer tax provisions for ALEs:
 - Employer Shared Responsibility Provisions (§ 4980H)
 - Information Reporting (§ 6056)
- Employers that offer self-insured plans:
 - Information Reporting (§ 6055)



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Employer Shared Responsibility Provisions

ALEs must

- Offer health coverage to their full-time (FT) employees (and their dependents),
or
- Potentially be subject to an employer shared responsibility payment
- Generally not effective until January 1, 2015
- Transition rule for 2015 for ALEs with less than 100 full-time employees (including full-time equivalent employees)



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Determining ALE Status

- Number of employees and their hours of service in preceding year determines ALE status for the current year
- Definition of full-time employee
- Definition of full-time equivalent employee
- Seasonal worker exception
- Common ownership and controlled groups
- Transition rule for 2015 ALE determination



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ALE Examples

- Company X had 40 full-time employees and 20 part-time employees at 60 hours each month
 - The 20 part-time employees =
10 full-time-equivalent employees
 - 40 FT plus 10 FTE = ALE (50 FT/FTE)
- Company X is subject to the employer shared responsibility provisions



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Common Owner ALE

- For all of 2015 & 2016, Corp A owns 100% of Corp B and Corp C
- Number of 2015 FT employees:
 - Corp A – None
 - Corp B – 40
 - Corp C – 60
 -
 - Total – 100
- Corp A + B + C is an ALE for 2016
- Corps B & C are each an ALE member



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Defining a Full-Time Employee

- FT = 30 hrs/week or 130 hrs/month
- Two measurement methods
 - Monthly
 - Look-back
- Defining an hour of service
 - Hour for which paid or entitled to be paid
 - Special rules



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ESRP Liability

- Liability exists if employer:
 - Does not offer coverage to at least 95% of FT employees (and their dependents) *and* at least one FT employee receives the PTC
 - OR
 - Does offer to 95% of FT employees (and their dependents), *but* at least one FT employee receives the PTC because, for that full-time employee, coverage was
 - not offered
 - unaffordable, or
 - did not provide minimum value
- 2015 Transition relief



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Definition of Affordability and Minimum Value

- Affordability
 - Affordable if employee's share of lowest cost self-only coverage does not exceed 9.5% of household income
 - Three employer "safe harbors"
- Minimum value
 - Covers at least 60% total cost of benefits



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Employer Shared Responsibility Payment

- Offer to less than 95% (70% for 2015)
 - Payment of 1/12 of \$2,000 per FT employee, above 30 threshold (per month)
- Offer to at least 95% (70% for 2015)
 - Payment of 1/12 of \$3,000 per PTC-receiving FT employee, (per month), subject to limitation



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ESRP Assessment and Payment

- Employer will not make a payment with a return
- IRS will determine amount and notify employer
- Employer will have opportunity to respond before assessment
- IRS will send a notice and demand after assessment



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2015 Transition Relief

- 50-99 FT + FTE employees (requires certification)
- Dependent coverage
- Non-calendar year plans
- First payroll rule (January 2015)
- Multiemployer plans



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ALE Information

Reporting (§ 6056)

- Effective 2015; first returns due 2016
- Information to be reported (Form 1095-C):
 - Employer ID & contact information
 - Number of FT employees
 - Information for each FT employee including any coverage offered, employee cost of self-only coverage, and months employee enrolled



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Other Information Reporting

- § 6055 – for all insurers, providers of government-sponsored programs and self-insured employers (regardless of size) (Form 1095-B)
- Effective 2015; first returns due 2016
- Information reported:
 - Identifying information for entity providing coverage & contact info
 - Identifying information of persons covered & months of coverage



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Simplified Information Reporting

Combined reporting form for all ALE members:

- § 6056 top of form
- § 6055 bottom of form



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Summary

- Applicable Large Employer (ALE) status
- Employer tax provisions for ALEs:
 - Employer Shared Responsibility Provisions (§ 4980H)
 - Information Reporting (§ 6056)
- Employers – regardless of size – that offer self-insured plans:
 - Information Reporting (§ 6055)



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Additional Resources

Tax Provisions

- ✓ IRS website: [IRS.gov/ACA](https://www.irs.gov/aca)

Other Health Care Information

- ✓ HHS website: [HealthCare.gov](https://www.healthcare.gov)
- ✓ SBA website: [SBA.gov/healthcare](https://www.sba.gov/healthcare)
- ✓ DOL website: [DOL.gov/ebsa/healthreform](https://www.dol.gov/ebsa/healthreform)