

# ACA COMPLIANCE OVERVIEW



## Tips for Preventing Common ACA Reporting Mistakes

Employers often find the Affordable Care Act's (ACA) reporting process to be complex and challenging to navigate. Even though the requirements have been in place for nearly a decade, the process remains intricate and can be difficult even for the most experienced employers. It's crucial for employers to steer clear of common mistakes to ensure compliance and prevent costly penalties.

As a general starting point, the IRS recommends that employers:

- ✓ Prepare their returns with correct information;
- ✓ Electronically file information returns before the **March 31, 2025**, deadline;
- ✓ File a waiver from electronic filing if necessary; and
- ✓ Apply for an extension of time to file if necessary, and ensure filing is completed by the extended due date.

When completing these steps, employers should be mindful of preventing common reporting errors, which is the subject of this Compliance Overview.

### LINKS AND RESOURCES

- IRS Q&As on [Section 6055](#) reporting and on [Section 6056](#) reporting, as well as a separate set of [Q&As on Forms 1094-C and 1095-C](#)
- Forms [1094-B](#) and [1095-B](#) (and related [instructions](#)) for use to report under Section 6055
- Forms [1094-C](#) and [1095-C](#) (and related [instructions](#)) for use to report under Section 6056

## Reporting Entities

The following employers are subject to ACA reporting:

- Employers with self-insured health plans, regardless of size (Section 6055 reporting);
- Applicable large employers (ALEs) with either fully insured or self-insured health plans (Section 6056 reporting). ALEs are those with 50 or more full-time employees during the prior calendar year; and
- There are no reporting obligations for non-ALEs without a plan or non-ALEs with fully insured plans (as the carrier will complete Section 6055 reporting).

## Important Dates

### Feb. 28, 2025

Paper IRS returns for 2024 must be filed by this date. Reporting entities can only file up to 10 returns on paper.

### March 3, 2025

Reporting entities can provide statements by this date if they do not wish to take advantage of the new furnishing method, where statements can be provided upon request after individuals are notified of this option.

### March 31, 2025

Electronic IRS returns for 2024 must be filed by this date.

Provided to you by **National Insurance Services**

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## Tip 1: Verify Legal Company Name Matches EIN

Employers must ensure that the company's legal name, as shown in official documents like tax filings or incorporation papers, matches the Employer Identification Number (EIN) on all reporting forms. Before filing with the IRS, employers should resolve any discrepancies between the company name and the EIN to avoid penalties for inaccurate reporting.

## Tip 2: Ensure Proper Aggregation of ALEs

For purposes of the reporting requirements, each ALE member under common control (called an Aggregated ALE Group) must file Forms 1094-C and 1095-C with the IRS and furnish Form 1095-C to its full-time employees using its own EIN. **This is the case even if a particular ALE member does not employ enough employees to meet the threshold of 50 full-time employees.**

If the Aggregated ALE Group, taking into account the employees of all ALE members in the group, employed an average of 50 or more full-time employees (including full-time equivalent employees) on business days during the preceding calendar year, then the Aggregated ALE Group is an ALE, and each separate employer within the group is an ALE member.

Often, companies with fewer than 50 full-time employees fail to recognize that they have reporting obligations if they are part of an Aggregated ALE Group, which can lead to significant penalties. Similarly, if a merger or acquisition happens during the calendar year, this needs to be accurately reflected in an ALE's reporting.

## Tip 3: Accurately Track Employee Status

Determining which employees are full-time employees is central to the ACA's employer shared responsibility ("pay-or-play") provisions and reporting correctly. For purposes of the pay-or-play rules, a full-time employee is, for a calendar month, an employee who worked an average of at least **30 hours of service per week**, or 130 hours of service per month. Even if ALEs have a different definition of what is considered full-time for purposes of payroll or other company policies, they must offer coverage to employees meeting the IRS' definition for purposes of pay or play.

Because ALEs must report coverage for each calendar month, January through December, it is important to keep track of their employees' status throughout the year. There are two methods for determining full-time status: the monthly measurement method (which generally measures employee status on a month-by-month basis) and the look-back measurement method (which generally measures employee status over a certain period of time).

Failing to use the correct measurement period to track full-time employee status can result in misclassifying employees, which can lead to failures in offering coverage and, ultimately, reporting errors.

## Tip 4: Correctly Report Offers of Coverage

Form 1095-C contains the bulk of the information ALEs need to gather to correctly report, so understanding the complexities of this form (particularly the indicator codes on lines 14-16) is essential. For ALEs with fully insured plans, one form must be completed for each full-time employee (even if an ALE does not offer coverage to any full-time employees). For ALEs with self-funded plans, one form must be completed for anyone who was covered, not just full-time employees.

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Below are some things ALEs should keep in mind for each of the following lines on Form 1095-C:

## Line 14: Code Series 1—Offer of Coverage

- A code must be entered for each calendar month, even if the employee was not a full-time employee for one or more of the calendar months. Do not leave line 14 blank for any month.
- Enter the code identifying the type of health coverage actually offered by the ALE to the employee (if any). If the employee was not actually offered coverage, enter code 1H (no offer of coverage) on line 14.

## Line 15: Employee Required Contribution

- The employee's required contribution is generally their share of the lowest cost monthly premium for self-only coverage that was offered to the employee. It is important to remember that this amount may be different than the amount the employee is actually paying for the coverage—for example, if the employee chose to enroll in more expensive coverage, such as family coverage.
- ALEs do not complete line 15 if Code 1A, 1F, 1G, 1H, 1R, or 1S was entered on line 14.
- If the employee is offered coverage but the employee's required contribution is zero, ALEs would enter "0.00" on line 15; they would not leave it blank.

## Line 16: Code Series 2—Safe Harbor Codes

- ALEs can enter only **one** code from Code Series 2 per calendar month, even if more than one indicator code could apply. ALEs must review the instructions carefully to determine which code to use for a month if more than one code from Code Series 2 could apply.
- If no indicator code applies, line 16 can be left blank.
- For an employee who did not enroll in health coverage, there are some specific ordering rules for which code to use. ALEs must review the descriptions of the codes thoroughly to ensure proper ordering. Note that there is no specific code to indicate that a full-time employee either did not enroll in the ALE's coverage or waived the coverage.

## Tip 5: Ensure Timely Reporting

Electronic IRS returns for 2024 must be filed by **March 31, 2025**. Paper returns must be filed by Feb. 28, 2025, but reporting entities can only file up to 10 returns on paper.

Under the original reporting rules, reporting entities had to furnish statements annually to each covered individual (under Section 6055) and each of the ALE's full-time employees (under Section 6056). Pursuant to newly enacted legislation, reporting entities are no longer required to send Forms 1095-B and 1095-C to covered individuals/full-time employees unless a form is requested. To take advantage of this new furnishing method for 2024 statements required to be furnished in 2025, a reporting entity must take the following steps:

- Post a clear and conspicuous notice on its website by **March 3, 2025**, stating that covered individuals and full-time employees may receive a copy of their statement upon request. The notice must include:
  - An email address;
  - A physical address to which a request may be sent; and
  - A telephone number to contact the reporting entity.

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- Retain the notice in the same location on its website through **Oct. 15, 2025**.

Reporting entities that do not follow these steps must provide statements to individuals by the **March 3, 2025**, deadline.

## Tip 6: Follow Applicable State Reporting Requirements

In addition to federal reporting requirements, employers in **California**, the **District of Columbia**, **Massachusetts**, **New Jersey** and **Rhode Island** are subject to state reporting requirements that help administer each state's individual mandates. (While Vermont also has an individual mandate, there are no separate state provider reporting requirements at this time.) Although many state reporting requirements mirror federal requirements, it is crucial for employers to remember that any legislative changes or IRS guidance (for example, the availability of alternative furnishing methods) apply at the federal level. Accordingly, when changes are made to federal reporting requirements, employers must analyze how this impacts corresponding state reporting requirements to ensure full compliance.