



IRS Reporting Tip 2
2017 Plan Year Form 1094-C, Line 22

Under the Patient Protection and Affordable Care Act (ACA), individuals are required to have health insurance while applicable large employers (ALEs) are required to offer health benefits to their full-time employees. In order for the Internal Revenue Service (IRS) to verify that (1) individuals have the required minimum essential coverage, (2) individuals who request premium tax credits are entitled to them, and (3) ALEs are meeting their shared responsibility (play or pay) obligations, employers with 50 or more full-time or full-time equivalent employees and insurers are required to report on the health coverage they offer. Similarly, insurers and employers with less than 50 full time employees but that have a self-funded plan also have reporting obligations. All of this reporting is done on IRS Forms 1094-B, 1095-B, 1094-C and 1095-C.

Form 1094-C

Form 1094-C is used in combination with Form 1095-C to determine employer shared responsibility penalties. It is often referred to as the "transmittal form" or "cover sheet." IRS Form 1095-C will primarily be used to meet the Section 6056 reporting requirement, which relates to the employer shared responsibility/play or pay requirement. Information from Form 1095-C will also be used in determining whether an individual is eligible for a premium tax credit.

Form 1094-C contains information about the ALE, and is how an employer identifies as being part of a controlled group. It also has a section labeled "Certifications of Eligibility" and instructs employers to "select all that apply" with four boxes that can be checked. The section is often referred to as the "Line 22" question or boxes. Many employers find this section confusing and are unsure what, if any, boxes they should select. The boxes are labeled:

- A. Qualifying Offer Method
- B. Reserved
- C. Reserved
- D. 98% Offer Method

Qualifying Offer Method

The instructions provide the following definition to explain the qualifying offer method.

Check this box if the ALE Member is eligible to use and is using the Qualifying Offer Method to report the information on Form 1095-C for one or more full-time employees. Under the Qualifying Offer Method there is an alternative method of completing Form 1095-C and an alternative method for furnishing Form 1095-C to certain employees. If the ALE Member is using either of these alternative rules, check this box. To be eligible to use the Qualifying Offer Method, the ALE Member must certify that it made a Qualifying Offer to one or more of its full-time employees for all months during the year in which the employee was a full-time employee for whom an employer shared responsibility payment could apply. Additional requirements described below must be met to be eligible to use the alternative method for furnishing Form 1095-C to employees under the Qualifying Offer Method.



This means that, if an employer used code 1A for any employee on Line 14 of its 1095-C form, the employer should check Box A. Code 1A is only used by employers who offered minimum value, minimum essential coverage to a full-time employee, and the coverage meets the federal poverty level safe harbor.

It **cannot** be used for minimum value, minimum essential coverage that meets either the W-2 or rate of pay safe harbor.

98% Offer Method

An employer meets the requirements of the 98% Offer Method if it offers affordable, minimum value coverage to at least 98 percent of its total employees for whom it is filing a Form 1095-C (regardless of whether they are full-time or part-time). This means that the employer does not need to report whether an employee is full time and it does not need to provide a count of its full-time employees. If the employer meets the requirements of the 98% Offer Method, it should check Box D.

However, the employer will still need to provide Form 1095-C to each of its employees, which includes all of the other information required, and if an employee requests a premium tax credit, it will need to respond to an IRS inquiry about the employee's work and coverage status. Employers that anticipate difficulties reporting full-time employees (excluding those in waiting periods) may find this option helpful.

If an employer selects Box D, it does not need to complete Part III Column (b) of the 1094-C.

The IRS provides the following example for the 98% offer method:

Employer has 325 employees. Of those 325 employees, Employer identifies 25 employees as not possibly being full-time employees because they are scheduled to work 10 hours per week and are not eligible for additional hours. Of the remaining 300 employees, 295 are offered affordable minimum value coverage for all periods during which they are employed other than any applicable waiting period (which qualifies as a Limited Non-Assessment Period). Employer files a Form 1095-C for each of the 300 employees (excluding the 25 employees that it identified as not possibly being full-time employees). Employer may use the 98% Offer Method because it makes an affordable offer of coverage that provides minimum value to at least 98% of the employees for whom Employer files a Form 1095-C. Using this method, Employer does not identify whether each of the 300 employees is a full-time employee. However, Employer must still file a Form 1095-C for all of its full-time employees. Employer chooses to file a Form 1095-C on behalf of all 300 employees, including the five employees to whom it did not offer coverage, because if one or more of those employees was, in fact, a full-time employee for one or more months of the calendar year, Employer would be required to have filed a Form 1095-C on behalf of those employees.

Reserved Code B (formerly, Qualifying Offer Method Transition Relief)

This box is not applicable in 2017. In 2015, the instructions provided the following definition to explain the qualifying offer method transition relief.

Check this box if the employer is eligible for and is using the Qualifying Offer Method Transition Relief for the 2015 calendar year to report information on Form 1095-C for one or more full-time employees. To be eligible to use the Qualifying Offer Method Transition Relief, the employer must certify that it made a Qualifying Offer for one or more months of calendar year 2015 to at least 95% of its full-time employees. For this purpose, an employee in a Limited Non-Assessment Period is not included in the 95% calculation.

This transition relief has expired, and is no longer available to employers regardless of size or their plan years. No employer should select Box B, which is now reserved for future use.

Reserved Code C (formerly Section 4980H Transition Relief)

This box is not applicable in 2017. In 2015 and 2016, Box C was used to inform the government that an employer is entitled to one of two forms of transition relief **for its 2015 plan year**:

1. Midsize Employer Transition Relief (only available to employers with 50 to 99 employees who meet the maintenance requirements of transition relief)
2. Relief when Calculating Assessable Penalties (only available to employers with 100 or more employees)

Conclusion

Different real-world situations will lead an employer to select any combination of boxes on Line 22, including leaving all four boxes blank. Practically speaking, only employers who met the requirements of using code 1A on Form 1095-C or who offered coverage to virtually all employees will check any of the boxes on Line 22. Notably, employers who do not use the federal poverty level safe harbor for affordability will never select Box A, and corresponding with that, will never use codes 1A or 1I on Line 14 of a Form 1095-C.

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