

IRS Releases Draft Forms for Health Coverage Reporting

On July 24, 2014, the Internal Revenue Service (IRS) released draft forms for employer reporting of health coverage. These draft forms are intended to prepare stakeholders (such as employers) for new reporting provisions under Internal Revenue Code Sections 6055 and 6056.

Because these forms are drafts, they should not be filed with the IRS. The IRS may make changes to the forms prior to releasing final versions. The IRS anticipates that draft instructions relating to the forms will be posted to its website in August. Both the forms and instructions will be finalized later this year.

The reporting requirements for Code Sections 6055 and 6056 are intended to promote transparency of health plan coverage and costs. They will also provide the government with the information necessary to administer other Affordable



Care Act (ACA) mandates, such as the employer and individual mandates.

The final regulations for the ACA's health coverage reporting requirements will apply for calendar years beginning after Dec. 31, 2014, which is the one-year delay provided in IRS Notice 2013-45, although voluntary compliance is encouraged for 2014.

The released draft versions include the following forms:

- Form 1094-B: Transmittal of Health Coverage Information Returns;
- Form 1095-B: Health Coverage;
- Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return; and
- Form 1095-C: Employer-Provided Health Insurance Offer and Coverage.

Forms 1094-C and 1095-C will be used by applicable large employers (ALEs) that are reporting under Code Section 6056. Forms 1094-B and 1095-B will generally be used by reporting entities filing under Section 6055, such as health insurance issuers or sponsors of self-insured group health plans that are not ALEs.

ALEs that are required to file under Section 6055 will use a combined reporting method, using Forms 1094-C and 1095-C.

DID YOU KNOW?

On July 22, 2014, two federal courts issued conflicting rulings regarding Exchange subsidies: the D.C. Circuit Court of Appeals struck down the availability of health insurance subsidies in states with federal Exchanges, while the 4th Circuit Court of Appeals upheld their availability in all states, including those with federal Exchanges.

For now, subsidies will continue to remain available on all Exchanges for eligible individuals.

The Obama administration is seeking further review, and the entire 11-person D.C. Circuit will likely review whether subsidies can be offered in states with federal Exchanges.

IRS Revises ACA Affordability Percentage

On July 24, 2014, the Internal Revenue Service (IRS) released the Affordable Care Act (ACA)'s employer health plan affordability contribution percentage for 2015 in Revenue Procedure 2014-37.

The affordability of an employer's plan is assessed in three situations: the shared responsibility penalty for applicable large employers, the individual mandate and the premium tax credit for purchasing health coverage through an Exchange.

For plan years beginning in 2015, employer-sponsored coverage will generally be considered affordable under both the pay or play rules and the premium tax credit eligibility rules if the employee's required contribution for self-only coverage does not exceed 9.56 percent of the employee's household income for the year.

However, applicable large employers using an affordability safe harbor under the pay or play rules may have to continue using a contribution percentage of 9.5 percent to measure their plan's affordability due to the language of the safe harbors.