

# How The Affordable Care Act Impacts Your Business

## Source Documents

For individual taxpayers, the bulk of the Affordable Care Act was implemented last year, during tax year 2014. For tax year 2015, there is broad impact for business taxpayers. This year we'll see two new source documents, Forms 1095-B and 1095-C, and large employers will be mandated to offer health insurance to their employees or be subject to the Employer Shared Responsibility Payment. The following Business Guide will provide you with the essentials regarding ACA impact so that you can properly advise your business clients.

- Following source documents used to support ACA computations starting 2015 tax year

- **Form 1095-B**, Health Coverage Statement
  - Providers of minimum essential coverage, including self insured employers
- **Form 1095-C**, Employer-Provided Health Coverage Statement
  - Used for large employers of more than 50 employees

### Form 1095-B

Health Coverage Statement

- Issued by a government-sponsored program, eligible employer-sponsored plan, individual market plan or miscellaneous coverage plan
- Provides information about whether the taxpayer, spouse and dependents had qualifying health coverage (minimum essential coverage) for some or all months during the year
- Individuals with minimum essential coverage are not subject to individual shared responsibility payment

Form <b>1095-B</b>		<b>Health Coverage</b>		<input type="checkbox"/> VOID	560115 OMB No. 1545-2252										
Department of the Treasury Internal Revenue Service		▶ Information about Form 1095-B and its separate instructions is at <a href="http://www.irs.gov/form1095b">www.irs.gov/form1095b</a> .		<input type="checkbox"/> CORRECTED	<b>2015</b>										
<b>Part I Responsible Individual</b>															
1 Name of responsible individual			2 Social security number (SSN)		3 Date of birth (if SSN is not available)										
4 Street address (including apartment no.)		5 City or town		6 State or province		7 Country and ZIP or foreign postal code									
8 Enter letter identifying Origin of the Policy (see instructions for codes): . . . . . ▶ <input type="checkbox"/>			9 Small Business Health Options Program (SHOP) Marketplace identifier, if applicable												
<b>Part II Employer Sponsored Coverage (see instructions)</b>															
10 Employer name				11 Employer identification number (EIN)											
12 Street address (including room or suite no.)		13 City or town		14 State or province		15 Country and ZIP or foreign postal code									
<b>Part III Issuer or Other Coverage Provider (see instructions)</b>															
16 Name			17 Employer identification number (EIN)		18 Contact telephone number										
19 Street address (including room or suite no.)		20 City or town		21 State or province		22 Country and ZIP or foreign postal code									
<b>Part IV Covered Individuals (Enter the information for each covered individual(s).)</b>															
(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of coverage											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
23			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Form 1095-C**

- Employer Provided Health Insurance Offer and Coverage Statement
- Employers with 49 or more full-time employees required to file Form 1095-C with **employee** and **IRS**
- Includes information about whether employer offered qualifying health coverage to employee, spouse and dependents for some or all months during the year

- **Form 1095-C** is used to determine
  - Whether **employer** shared responsibility provision applies, **and**
  - Eligibility of employees for premium tax credit

Form **1095-C**  
Department of the Treasury  
Internal Revenue Service

**Employer-Provided Health Insurance Offer and Coverage**

► Information about Form 1095-C and its separate instructions is at [www.irs.gov/form1095c](http://www.irs.gov/form1095c)

VOID

CORRECTED

OMB No. 1545-2251

**2015**

Part I Employee		Applicable Large Employer Member (Employer)														
1 Name of employee		2 Social security number (SSN)			7 Name of employer				8 Employer identification number (EIN)							
3 Street address (including apartment no.)						9 Street address (including room or suite no.)				10 Contact telephone number						
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code						
Part II Employee Offer and Coverage							Plan Start Month (Enter 2-digit number):									
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec			
14 Offer of Coverage (enter required code)																
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)																
Part III Covered Individuals																
If Employer provided self-insured coverage, check the box and enter the information for each covered individual. <input type="checkbox"/>																
17	(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

# Employer Shared Responsibility Provision

- AKA: Employer mandate
- Employers with fewer than 50 workers not subject to the employer shared responsibility rules
- Employers with between 50 and 99 full-time employees are liable for the ESR beginning in tax year 2016
- Employers with at least 100 full-time employees are liable for the ESR beginning in tax year 2015
- The number of employees is determined by considering average of full-time employees on business days during the preceding calendar year
  - Includes full-time equivalents
- Employer with at least 100 full-time employees is liable for the ESR if one of the following conditions exists:
  - Employer does not offer health coverage or offers coverage to fewer than 70% of its full-time employees and dependents and at least one of the full-time employees receives a premium tax credit, OR
  - The employer offers health coverage to at least 70% of its full-time employees and dependents, but at least one full-time employee receives a premium tax credit
    - May occur
      - Because employer did not offer coverage to employee, or
      - Because coverage employer offered that employee was either unaffordable or did not provide minimum value
- In 2016, this will apply to 95% of full-time employees

## Workforce Size

- To determine whether you're an applicable large employer for current year, it is based on average employee count for 12 months of prior year
- For 2015 only, an employer may measure over any consecutive 6 month period during 2014

- A full-time employee is an employee with at least 130 hours of service in a calendar month
- To determine full-time equivalent (FTE) employees for each month, combine the number of hours of service for all non-full-time employees – up to 130 hours per employee – and divide total by 120

## Calculating the Penalty

- **Employer does not offer coverage to at least 70% of its full-time employees (and dependents)**
  - ESR payment equals number of full-time employees (minus 80) multiplied by 1/12 of \$2,000 (provided that at least one full-time employee receives a premium tax credit for that month)
- **Employer offers coverage to at least 70% of its full-time employees (but has one or more full-time employees who receive a premium tax credit)**
  - Amount of the payment for month equals number of full-time employees who receive a premium tax credit for that month multiplied by 1/12 of \$3,000
- Amount of payment for any calendar month is capped at number of full-time employees for month (minus up to 80) multiplied by 1/12 of \$2,000

## Transition Relief for Smaller Companies

- Employers that employed on average at least 50 but fewer than 100 full-time employees on business days during 2014
- Won't be liable for ESR penalty for any calendar month during 2015 if they meet these conditions
  - Employer didn't reduce the size of its workforce or the overall hours of service of its employees in order to qualify for the transition relief (unless for bona fide business reasons)
  - Employers with non-calendar-year health plans, relief applies to any calendar month during 2015 plan year, including months during the 2015 plan year that fall in 2016

## Tax Form Reporting

- Employers can claim relief from an assessable payment on Form 1095-C, if they meet certain criteria
- IRS will adopt procedures that ensure employers receive certification that one or more employees have received a premium tax credit
- IRS will contact employers to inform them of their potential liability and provide them an opportunity to respond before any liability is assessed
- If it is determined that an employer is liable for an ESR payment after the employer has responded to the initial IRS contact, IRS will send a notice and demand for payment
- No new forms planned; employers will not be required to include the ESR payment on any tax return that they file

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## Small Business Health Care Credit

- Available to small businesses that offer insurance (Form 8941)
- Tax credit for small employers, including tax-exempt employers
- Help with cost of providing health care coverage for low and moderate income workers
- To encourage employers to offer first-time coverage and maintain existing coverage for employees
  - Less than or equal to 25 employees with an average salary of less than or equal to \$50,000
  - Employer must cover at least 50% of the premium

## 2015 Changes

### 2015 and future years

- Maximum credit is 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers
- To be eligible for the credit, a small employer must pay premiums on behalf of employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace or qualify for an exception to this requirement
- Available to eligible employers for 2 consecutive taxable years

## ACA Online Resources

- IRS website explains tax provisions of health care law
  - [IRS.gov](http://IRS.gov)
- Others
  - [Healthcare.gov](http://Healthcare.gov)
  - [Small Business Administration](http://Small Business Administration)
  - [US Department of Labor](http://US Department of Labor)