

# CLIENT NEWS BRIEF

## Unraveling Employer Reporting Requirements Under the Affordable Care Act: What Employers Should Know For 2014

With the phasing-in of the Affordable Care Act (ACA), employers should be aware of certain reporting requirements that may affect them as early as January 2014.

The ACA contains three different provisions that establish annual reporting requirements for employers.

1. The ACA amended section 6051 of the Internal Revenue Code to require certain employers to report to employees, on the standard Form W-2, the cost of their employer-sponsored group health plan coverage.
2. The ACA also added section 6055 and 6056 to the Internal Revenue Code, which require annual reporting to the IRS and the furnishing of written statements to each individual for whom a report is generated. Section 6055 requires information reporting by any entity that provides minimum essential coverage to an individual, and primarily applies to insurers and self-insuring employers.
3. Section 6056 requires information reporting by applicable large employers regarding health care coverage offered by the employer to individual employees. The definition of an "applicable large employer" under the ACA is an employer with at least 50 full-time or full-time equivalent employees. To determine employer size, an employer must add the number of full-time employees to the number of full-time equivalents. Full-time employees are those that work on average 30 hours of service per week. The calculation of full-time equivalents requires totaling the hours of service for all part-time employees and dividing that figure by 120.

Section 6051 reporting requirements technically became effective in 2011, while section 6055 and 6056 reporting requirements have been delayed until January 1, 2015. When all three provisions eventually become effective, certain employers may be subject to multiple reporting requirements. The IRS is currently working on developing rules and regulations to minimize duplication in reporting for employers that are subject to more than one reporting provision.

### Sections 6055 and 6056 Reporting Requirements are Delayed until January 2015

In July 2013, the federal government announced that the sections 6055 and 6056 reporting requirements are delayed until January 1, 2015. This delay is intended to provide time for employers to provide input on reporting requirements, allow for federal agencies to simplify the reporting process, and grant employers time to adapt their health care coverage and reporting systems. As a result, the first reports required pursuant to these sections will cover the 2015 calendar year and will be due in early 2016 pursuant to tax filing deadlines. However, in issuing the delay, the IRS is strongly encouraging employers to voluntarily comply with reporting rules for the 2014 calendar year in order to provide for a smoother transition into compliance with future

January 2014  
Number 4



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requirements. Employers may want to take this time to develop systems for collecting the necessary information.

## Section 6051 Reporting

In contrast, all employers that were required to file at least 250 Form W-2s for the 2012 calendar year and offer medical benefits to their employees, are required to report the aggregate, or total, cost of applicable employer-sponsored coverage in Box 12 of the Form W-2, with Code DD to identify the amount. Smaller employers may also comply with the requirements on a voluntary basis. This was the rule in the 2012 calendar year, and will continue to be the rule until the IRS issues further guidance or regulations.

Note that as long as the employer offered coverage to an employee at some point during the calendar year, the employer will have information to report on the employee's Form W-2, regardless of whether the employee is a full-time employee or has a different employment status.

"Applicable employer-sponsored coverage" is defined as coverage under any group health plan made available to the employee by an employer which is excludable from the employee's gross income under section 106 of the Internal Revenue Code, or would be excludable if it were employer-provided coverage. For example, group medical coverage is reportable, while Archer medical saving accounts and health savings accounts are not.

Employers are not required to report anything on their Form W-3s, the summary page of all Form W-2s issued by an employer. Information is only reported on the employees' Form W-2s and is purely for the use of the employee, intended to inform them of the cost of their health care coverage. The amount reported is not considered taxable income.

Employers who believe that section 6051 may apply to them must first take steps to determine whether they filed 250 or more Form W-2s for the 2012 calendar year in January 2013. If the employer filed less than 250 Form W-2s for the 2012 calendar year, then the employer is not required to report on health care coverage for the 2013 calendar year. However, if the employer determines that it did file 250 or more Form W-2s for the 2012 calendar year, then the employer will need to identify all reportable coverage plans, calculate their total cost for the year as to each individual employee, and report the coverage on employees' 2013 Form W-2s.

The amount reported should include both the portion paid by the employer and the portion paid by the employee. This is true even if the employer did not contribute any funds towards the employee coverage. The IRS has provided a number of methods employers may use to calculate the cost of coverage for different plans in preparation for combining those costs into an aggregate amount. The applicability of these methods to employers varies based on the specific circumstances surrounding each employer-sponsored plan.

The IRS "Affordable Care Act Tax Provisions" [webpage](#) provides further guidance on reporting requirements.

The rules and regulations implementing the ACA are complex and evolving. For instance, many employers face confusion regarding which employees qualify as "full-time employees" for purposes of the ACA. While some guidance exists on this issue, the IRS and other federal agencies are currently developing rules to simplify this determination and to account for the different categories of employees that do not fit neatly into the ACA's "full-time employee" definition. If you have any questions regarding the reporting requirements discussed above or any other ACA matters, please feel free to contact one of our [eight offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).