

## ACA: CORRECTING ELECTRONIC REPORTS

Certain employers that sponsor fully insured or self-insured group health plans are required to submit annual reports to the IRS about the health coverage offered to employees during the prior calendar year. The reporting requirement is meant to assist the federal government in enforcing compliance with the ACA employer mandate (and initially the ACA individual mandate; however, its penalty was reduced to zero effective since 2019, essentially making enforcement moot). The reporting also ensures proper administration of the premium tax credit and cost-sharing subsidy eligibility and payments through both the federally facilitated and state-run health insurance exchanges. For further information about both federal and state reporting requirements, including links to the various reporting forms, see the PPI publications **ACA: Employer Mandate Reporting Requirements** and **State Individual Mandate Reporting Requirements**.

**After filing ACA information electronically, employers should receive one of five confirmation options and may need to take timely action to ensure full compliance with the reporting requirement.**

Employers that are subject to ACA reporting requirements generally utilize electronic filing. (Note that paper filing is available for employers filing less than 250 returns; however, no IRS response is generally provided when an employer files paper forms.) Employers will receive one of the following five responses from the IRS after electronically filing their ACA reports (Forms 1094/95-C):

- **“Accepted”:** The filing was accepted with no obvious filing errors.
- **“Accepted with Errors”:** The filing was accepted, but the employer is expected to correct incorrect information that is present on some of the filed forms.
- **“Partially Accepted”:** Some of the filed Forms 1095-C were accepted, but others were rejected because of unusable data.
- **“Rejected”:** Entire filing was rejected (perhaps due to an incorrect Form 1094-C or significant errors on Forms 1095-C).
- **“Not Found”:** The IRS has no record of the filing.

Employers that receive an “Accepted” confirmation have no further filing obligation for the reporting year. All other IRS responses require further action. Filings that are rejected, not found or otherwise contain incorrect information will need to be corrected and refiled as soon as possible. The discussion below addresses common pitfalls and proper correction procedures with respect to each confirmation notice.

**“Accepted with Errors”:** A common reason that a file may be “Accepted with Errors” is an incorrect or inconsistent Social Security number (SSN). That is, the employer’s source database for ACA reporting (typically its payroll or HRIS database) reflects a first name, last name and/or SSN that does not match the information on record with the Social Security Administration (SSA). This can result from a data entry error or can occur when an employee neglects to update their married or maiden name with their employer and SSA simultaneously. It also occurs when the employer’s source database reflects an employee’s nickname or middle name in the “First Name” field. Employers are expected to correct SSN errors even if the filing was accepted. If an employee verifies their name and SSN and the information still yields a mismatch, then the employer may need to take additional steps (such as reaching out to the SSA).

Another reason that a file may be "Accepted with Errors" is because of inaccurate or incomplete reporting forms (i.e., missing values on lines 14, 15 or 16 of Form 1095-C). If the submission has been accepted but a particular form has been identified as having errors, then the errors should be corrected and only the affected forms (but not the entire submission) should be re-filed. A new transmittal form (i.e., Form 1094-C) should accompany any re-filed forms. In addition, for forms that require a copy to go to the employee (i.e., Form 1095-C), a corrected copy of the form should be provided.

A report that is "Accepted with Errors" is treated as having been timely filed if the original report was filed by the applicable deadline.

**"Partially Accepted":** "Partially Accepted" is similar to "Accepted with Errors" in that the employer needs to correct and re-file particular forms, but not the entire submission. A report that is "Partially Accepted" is treated as having been timely filed if the original report was filed by the applicable deadline.

**"Rejected":** Employers that receive an ACA filing confirmation of "Rejected" must re-submit (i.e., replace) the entire filing within 60 days. Corrected Forms 1095-C, if any, must be provided to affected employees. "Rejected" reports that are re-submitted within 60 days are treated as having been timely filed if the original report was filed by the applicable deadline. If the replacement report is filed more than 60 days after the original filing, it will be treated as untimely filed.

**"Not Found":** Employers that receive an ACA filing confirmation of "Not Found" must immediately re-submit the entire filing in order for the filing to be considered timely filed (assuming the original report was filed by the applicable deadline).

## SUMMARY

Employers that are subject to ACA reporting requirements should familiarize themselves with the reporting rules, collect and maintain accurate employee information and establish processes and procedures to handle the annual reporting obligations. Beginning with 2022 reporting (for calendar year 2021), the IRS will not be providing good faith relief (wherein employers that timely filed and distributed the required forms were not subject to penalties if the information was incorrect or incomplete). Employers should work closely with their benefits consultants, payroll service providers and reporting vendors as needed to ensure accurate and timely filing of ACA reports.