

## ACA: FAQs ON FORM 1095-C

These FAQs provide information about ACA reporting requirements under IRC Sections 6055 and 6056. Specifically, the FAQs provide guidance to applicable large employers (ALEs) on how to complete Part II (Lines 14, 15, and 16) and Part III of Form 1095-C. The ACA defines ALEs as those with 50 or more full-time employees (FTEs), including full-time-equivalent employees, in the preceding calendar year. For purposes of the following FAQs, it is assumed that all employers are ALEs unless otherwise noted.

Section 6056 requires employers to use Forms 1094-C and 1095-C to fulfill the annual ACA reporting requirements. Form 1094-C is used for transmitting Form 1095-C. Self-insured (including level-funded) employers will combine Sections 6055 and 6056 reporting on Form 1095-C.

Immediately below is a quick reference guide to help clarify the meaning of codes and acronyms used throughout the FAQs. This is followed by a series of FAQs that pertain equally to both fully insured and self-insured employers or specifically to employers with only one or the other funding arrangement, as indicated. For further information about ACA employer mandate reporting requirements, as well as a helpful compendium of additional FAQs, see the PPI publications [ACA: Employer Mandate Reporting Requirements](#) and [ACA: FAQs for Employer Reporting Under Sections 6055 and 6056](#).

### A QUICK REFERENCE GUIDE TO REPORTING CODES

#### **Line 14 Indicator Codes for Employee Offer of Coverage (Series 1 Codes)**

Line 14 requires employers to enter the applicable Series 1 code that identifies the type of health coverage actually offered to the employee, their spouse/domestic partner, and any dependents. This information also relates to eligibility for marketplace coverage subsidized by a premium tax credit.

**1A:** Qualifying offer, for all months during which the employee was employed full-time, employer offered minimum essential coverage (MEC) providing minimum value (MV) that was affordable according to the federal poverty line (FPL) safe harbor. At least MEC offered to spouse/domestic partner and dependent(s).

**1B:** MEC providing MV offered to employee only. No coverage offered to spouse/domestic partner and dependents.

**1C:** MEC providing MV offered to employee. MEC offered to dependent(s). No coverage offered to spouse/domestic partner.

**1D:** MEC providing MV offered to employee. MEC offered to spouse/domestic partner. No coverage offered to dependent(s).

**1E:** MEC providing MV offered to employee. MEC offered to spouse/domestic partner and dependent(s). Since most employers offer coverage to employee, spouse/domestic partner, and other dependents, 1E is the most commonly-used Line 14 code.

**1F:** MEC not providing MV offered to employee; employee and spouse/domestic partner or dependent(s); or employee and spouse/domestic partner and dependent(s).

**1G:** Offer of coverage to an individual who was not a full-time employee but was enrolled in self-insured coverage for one or more months.

**1H:** No offer of coverage.

**1J:** MEC providing MV offered to employee and at least MEC conditionally offered to spouse/domestic partner; MEC not offered to dependent(s).

**1K:** MEC providing MV offered to employee; at least MEC offered to dependents; and at least MEC conditionally offered to spouse/domestic partner.

New codes applicable for employers that offer Individual Coverage HRAs (ICHRA) effective for 2020 reporting and thereafter.

**1L:** ICHRA offered to employee only; affordability determined by using employee's primary residence location ZIP code.

**1M:** ICHRA offered to employee and dependent(s) (not spouse/domestic partner); affordability determined by using employee's primary residence location ZIP code.

**1N:** ICHRA offered to employee, spouse/domestic partner, and dependent(s); affordability determined by using employee's primary residence location ZIP code.

**1O:** ICHRA offered to employee only; affordability determined by using employee's primary employment site ZIP code.

**1P:** ICHRA offered to employee and dependent(s) (not spouse/domestic partner); affordability determined by using employee's primary employment site ZIP code.

**1Q:** Individual coverage HRA offered to the employee, spouse/domestic partner, and dependent(s); affordability determined by using employee's primary employment site ZIP code.

**1R:** Individual coverage HRA that is NOT affordable offered to the employee; employee and spouse/domestic partner or dependent(s); or employee, spouse/domestic partner, and dependents.

**1S:** Individual coverage HRA offered to an employee who was not a full-time worker.

**1T:** Individual coverage HRA offered to employee and spouse/domestic partner (not dependents); affordability determined by using employee's primary residence location ZIP code.

**1U:** Individual coverage HRA offered to employee and spouse/domestic partner (not dependents); affordability safe harbor determined by using employee's primary employment site ZIP code.

#### **Line 15 Entry**

If code 1B, 1C, 1D, 1E, 1J, 1K, 1L, 1M, 1N, 1O, 1P, 1T, or 1U is entered on Line 14, employers are required to enter on Line 15 the dollar amount (including cents) of the employee monthly cost-share for the lowest-cost self-only MEC providing MV that is offered to the employee. This is true regardless of the employee's actual enrollment status, such as waiver of coverage or enrollment in a plan or tier with a higher employee cost-share requirement.

#### **Line 16 Indicator Codes (Series 2 Codes: Section 4980H Safe Harbor Codes and Other Relief for Employers)**

Line 16 provides the IRS with information to administer the employer mandate penalties. The purpose of Line 16 is to indicate that under a rule or safe harbor, the employer is not subject to Penalty B for that month (i.e., that the health coverage offered is deemed affordable for that month). Note that safe harbor codes 2F, 2G, and 2H apply only if the employee waived coverage and the coverage met one of the affordability safe harbors. Note further that for any month the employer did not offer MEC to at least 95% of employees (as reported on Form 1094-C, Part III, column (a)), Line 16 should be left blank, with no indicator code used.

**2A:** Employee not employed during the month.

**2B:** Employee was employed, but not full-time.

**2C:** Employee enrolled in coverage offered. If employee enrolled in non-multiemployer coverage, code 2C takes precedence over other Series 2 codes. If employee enrolled in multiemployer coverage, see code 2E.

**2D:** Employee is in a limited non-assessment period (measurement period, waiting period).

**2E:** Multiemployer interim rule relief. This code is used where an employer is required – pursuant to a collective bargaining agreement – to contribute an amount towards premiums on behalf of an employee.

**2F:** Form W-2 affordability safe harbor.

**2G:** FPL affordability safe harbor.

**2H:** Rate of Pay affordability safe harbor.

## **FREQUENTLY ASKED QUESTIONS**

At a high level, both fully insured and self-insured (including level-funded) employers need to report in Part II (Lines 14 to 16) that an employee was an FTE during each month of the year when the employee was an active employee. For fully insured employers, the reporting obligation ends upon termination of employment, even if the employee was offered and elected COBRA continuation coverage. Self-insured employers, however, must also report the employee (and any covered dependents) as covered individuals in Part III during any month(s) of the year when the employee (and any covered dependents) was enrolled in the plan as an active employee, a COBRA participant, or a retiree.

Different codes will apply depending on the facts of an employee's date of hire, coverage start date, employment termination date, and benefits end date. In addition, different codes will apply for COBRA, retiree, and dependent enrollments.

The FAQs below address the most common Form 1095-C reporting questions related to these variables.

## 1. GENERAL REPORTING INFORMATION FOR BOTH FULLY INSURED AND SELF-INSURED (INCLUDING LEVEL-FUNDED) EMPLOYERS

### Q1. When do employers check the “authoritative transmittal” box on Line 19 of Form 1094-C?

**A.** Generally, the answer is “always.” A single entity (one EIN) has the option to submit more than one Form 1094-C but then designate one of the forms as the authoritative transmittal in which the information is aggregated. This option has limited application and will likely be used only by very large companies with multiple divisions under one EIN. For the majority of employers, one Form 1094-C will be sufficient, and thus it will be the authoritative transmittal.

### Q2. How do controlled group members report?

**A.** If an employer is a controlled group member, then it is separately responsible for offering coverage, ensuring that the coverage is affordable, and complying with the related reporting obligations. Specifically, each controlled group member is responsible for filing Forms 1094-C and 1095-C with the IRS as well as providing a Form 1095-C to each FTE.

Beginning in 2025, employers may opt to provide statements to employees upon request instead of automatically distributing them. Employers choosing this option must post a required notice on their website by the due date for furnishing the statement. The notice must be posted in a location that is reasonably accessible to all full-time employees and state that a copy of the statement is available upon request. The notice must be written in plain language in a font size large enough to draw an employee’s attention and include the necessary contact information (email address, physical address, and phone number) for the employee to request or inquire about it. The notice must remain on the website through October 15 of the year following the calendar year to which the statement relates. If requested, the employee statement must be provided by January 31 or 30 days following the request, whichever is later.

Members in a controlled group can identify one member to file on behalf of all other members. However, that doesn’t shift liability for a filing failure from the individual member to the identified filing member. The individual member remains exposed to IRS penalties if the filing member fails to file properly. This is because the employer mandate penalties are determined on a single-employer level per EIN. Further, each employer in the controlled group must identify the other employers in the group on Part IV of Form 1094-C.

### Q3. How are mid-month new hires reported?

**A.**

- Line 14 – 1H
- Line 15 – No Entry
- Line 16 – 2D

For the first partial month of employment, employers should report that the FTE was not offered coverage by entering code 1H on Line 14. This applies even if new hires are eligible for coverage as of date of hire; unless an offer of coverage to an FTE extends to every calendar day of a calendar month, the offer is not considered to have been made for that month. No entry is required on Line 15 for the first partial calendar month. Although employers report that no offer of coverage was made, they are entitled to relief from employer mandate penalties for that calendar month. For the first three months after an employee first becomes an FTE, the employee may be treated as being in a limited non-assessment period if all applicable conditions are satisfied. This is reported as code 2D on Line 16.

For example, if a newly hired FTE starts employment on January 15, and the offer of coverage provides coverage starting on January 15 (i.e., date of hire), then the employer should indicate that the FTE was not offered coverage for the month of January.

If the employer offers a self-insured health plan and the FTE enrolls in the plan and obtains coverage for any day during the first partial month of employment, the FTE (and any other individuals such as a spouse/domestic partner or dependents who obtained coverage through the FTE’s enrollment) should be reported as having coverage for that month on Part III of Form 1095-C, but that doesn’t change what the employer reports on Lines 14 to 16.

### Q4. How are mid-month terminations reported?

**A.**

- Line 14 – 1H (No offer of coverage)
- Line 15 – No Entry
- Line 16 – 2B

If an FTE terminates employment on any day other than the last calendar day of a calendar month and the coverage or offer of coverage expires upon termination of employment, then the employer should report that the FTE was not offered coverage for the final month of employment by entering code 1H on Line 14. No entry is required on Line 15 for that final month. However, if the terms of the plan stipulate that coverage ends on the last day of the calendar month in which employment ends, then the applicable offer of coverage should be reported on Line 14, with corresponding entries for Lines 15 and 16.

**Q5. Are employers always required to enter a code on Line 16 of Form 1095-C in order to avoid an employer mandate penalty?**

**A.** No. Employers are not required to make an entry on Line 16. So, if no code is applicable for a given month, Line 16 should be left blank. However, employers should enter the appropriate Series 2 code on Line 16, if applicable, to indicate whether they qualified for an exception from the assessable employer mandate penalty for a given month.

**Q6. On Part II of Form 1095-C, how should employers report whether an offer of coverage was made to an FTE?**

**A.** Employers should use Line 14 to report whether an offer of coverage was made to an FTE for each calendar month of the year by entering the Series 1 indicator code that reflects the type of coverage offered. Importantly, an offer of coverage is considered to have been made for a calendar month only if it would provide coverage for every day of that month. If an FTE was offered the same coverage for the entire calendar year, then the employer would enter the applicable indicator code in the "All 12 Months" column on Line 14 or in each of the 12 boxes for the calendar months.

**Q7. How should an employer report an FTE who waives coverage?**

**A.**

- Line 14 – 1E
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2F, 2G, or 2H (depending on affordability safe harbor used, or leave blank if unaffordable)

The employer should still enter code 1E on Line 14 and should enter one of the affordability safe harbors represented by codes 2F, 2G, and 2H on Line 16 to report that the FTE did not enroll in coverage under the plan. The employer should report on Line 15 the employee monthly cost-share for the lowest-cost self-only MEC providing MV offered under the plan to the FTE to show that the FTE was an active employee who was offered coverage.

**Q8. If an employer is required to recognize an FTE's paid leave of absence and makes an offer of affordable MV coverage to the FTE for the period of the paid leave, how does the employer report the FTE's enrollment for coverage for any calendar months of paid leave?**

**A.**

- Line 14 – 1E (MEC providing MV offered to employee; MEC offered to spouse/domestic partner and dependents)
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C (Employee enrolled in coverage)

For the month(s) of the paid leave of absence, the employer should enter code 1E on Line 14 and code 2C on Line 16 to report that the FTE was enrolled in coverage under the plan. The employer should report on Line 15 the employee monthly cost-share for the lowest-cost self-only MEC providing MV offered under the plan.

Compensation paid to an employee on a paid leave of absence is treated as payment for hours worked, and such compensation remains subject to the same Form W-2 and employment tax reporting as for active employees. This means that an employee who otherwise qualifies as an FTE based on their regular work schedule must continue to be treated as an FTE and offered coverage while on paid leave, and the offer of coverage must be reported on Form 1095-C.

**Q9. If an employer offers affordable MV MEC to an FTE, their spouse/domestic partner, and dependents, and only the FTE enrolls, how should the employer report this?**

**A.**

- Line 14 – 1E
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C

The employer should enter code 1E on Line 14 and code 2C on Line 16 to report that the FTE enrolled in coverage under the plan.

The employer should report on Line 15 the employee monthly cost-share for the lowest-cost self-only MEC providing MV offered under the plan to FTEs. Employers will complete Line 15 only if code 1B, 1C, 1D, 1E, 1J, 1K, 1L, 1M, 1N, 1O, 1P, or 1Q is entered on Line 14 in either the "All 12 Months" box or in any of the monthly boxes.

The employer should enter code 2C on Line 16 for any calendar month in which the FTE enrolled in health coverage offered by the employer for each day of the month, regardless of whether any other Series 2 code might also apply.

**Q10. If an employer offers affordable MV MEC to FTEs, and conditionally offers at least MEC to spouses/domestic partners, how should the employer report this?**

**A.**

- Line 14 – 1J (if MEC not offered to dependents); 1K (if MEC offered to dependents)
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C

The employer will enter 1J on Line 14 if MV coverage is offered to the employee, no MEC is offered to dependents, and a conditional offer of MEC is made to the spouse/domestic partner. On the other hand, if MV coverage is offered to the employee, MEC is offered to dependents, and a conditional offer of MEC is made to the spouse/domestic partner, then the employer will enter 1K on line 14.

Under both scenarios, the employer will report the employee monthly cost-share for the lowest-cost self-only coverage on Line 15 and will enter 2C on Line 16 to indicate that the employee enrolled in coverage.

**Q11. If an employer hires variable-hour or seasonal employees for a temporary period (such as for the summer) and uses look-back measurement periods to determine FTE status, should the employer report on those employees?**

**A.** An employer needs to report on a variable-hour or seasonal employee only if the employee finished their initial measurement period and was subsequently determined to be an FTE for any month of the year. In that situation, for the months the employee was in the measurement period, the employer would use code 1H on Line 14 and code 2D on Line 16.

For any months a variable-hour or seasonal employee was treated as an FTE and offered coverage, the employer would use codes 1B through 1F (depending on the type of coverage offered) on Line 14 and 2C on Line 16 if the employee enrolled in coverage. If the employee waived coverage, the employer would enter one of the affordability safe harbor codes (2F, 2G, or 2H), if applicable, on Line 16. The employer would not report on a variable-hour or seasonal employee who was determined not to be an FTE based on the hours worked during the measurement period.

Additionally, on Part III, column (b), of Form 1094-C, the employer would only include the FTE count for each month, meaning the employer would not include employees who were then in their initial measurement periods. However, for Part III, column (c), which reflects the total count, the employer would include all employees, including part-time, full-time, variable-hour, and seasonal employees.

**Q12. If an employer does not offer MEC to at least 95% of employees, how does this impact reporting?**

For any month the employer did not offer MEC to at least 95% of employees (as reported on Form 1094-C, Part III, column (a)), Line 16 should be left blank, with no indicator code used. As indicated in the Form 1094-C Instructions, "An affordability safe harbor code should not be entered on Line 16 for any month that the ALE Member did not offer minimum essential coverage, including an individual coverage HRA, to at least 95% of its full-time employees and their dependents (that is, any month for which the ALE Member checked the "No" box on Form 1094-C, part III, column (a))." See the section on Code Series 2 – Section 4980H Safe Harbor Codes and Other Relief for ALE Members for additional information.

## 2. SPECIFIC REPORTING INFORMATION FOR FULLY INSURED EMPLOYERS

**Q13. How should fully insured employers report on an FTE who terminates employment during a calendar year and receives an offer of COBRA continuation coverage?**

**A.** Fully insured employers need to report in Part II, Lines 14 to 16, that the employee was an FTE during each month of the year when the employee was an active employee. The reporting obligation ends upon termination of employment, even if the employee is offered and elects COBRA continuation coverage.

**Example 1:**

The FTE receives an offer of coverage providing MV for an employee, spouse/domestic partner, and dependents (family coverage) under an employer's fully insured health plan. The FTE enrolled in family coverage under the plan effective January 1. In May of the same calendar year, the FTE terminated employment with the employer; in accordance with the employer's benefit end date rule, benefits terminated at the end of May. The employee received an offer of COBRA continuation coverage effective June 1.

For the months January through May, the employer should enter code 1E on Line 14 and code 2C on Line 16 to report that the FTE enrolled in coverage under the plan. The employer should report on Line 15 the employee monthly cost-share for the lowest-cost self-only MEC providing MV offered under the plan to active FTEs.

- Line 14 – 1E
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C

If the employer's benefit end date rule instead produced a mid-month benefits termination in May, then the employer should enter code 1H on Line 14 and code 2B on Line 16 for the month of May. No entry is required on Line 15 for that final partial calendar month of coverage, because a partial month of coverage does not constitute an offer of coverage, and there's no obligation to report employee monthly cost-share amounts when there's no offer of coverage.

- Line 14 – 1H
- Line 15 – No Entry
- Line 16 – 2B

For June through December, the employer should enter code 1H on Line 14 and code 2A on Line 16 since the individual is no longer an employee. No entry is required on Line 15 for those remaining months of the calendar year.

- Line 14 – 1H
- Line 15 – No Entry
- Line 16 – 2A

**Part III: Covered Individuals**

- Not applicable

**Example 2:**

The same facts as Example 1 for Q13, except that the FTE chooses to enroll in family COBRA continuation coverage for themselves, their spouse/domestic partner, and their dependents under the plan.

For the months January through December, the employer should enter the same information as in Example 1. Fully insured employers are not required to report COBRA continuation coverage for terminated employees.

**Q14. How should a fully insured employer report on an FTE who enrolls in COBRA continuation coverage due to a non-FMLA reduction in hours, i.e., a change from full-time to part-time status that results in a loss of eligibility for coverage under the plan?**

**A.** The answer depends on whether the FTE elects COBRA continuation coverage. The employer should report the offer of COBRA continuation coverage as an offer of coverage.

**Example 1:**

An FTE elects coverage providing MV, including an offer of MEC to their spouse/domestic partner and dependents. The FTE enrolls in self-only coverage offered from January 1 through September 30 of the same calendar year. The employee monthly cost-share for the lowest-cost self-only coverage under the plan is \$100. On October 1 the FTE transfers to a part-time position (for non-FMLA reasons) and, as a result, loses eligibility for coverage under the plan's terms as of that date. The FTE receives an offer of COBRA continuation coverage due to the loss of eligibility for coverage, with a monthly COBRA premium of \$500 for the lowest-cost self-only COBRA continuation coverage. The FTE elects to enroll in the COBRA continuation coverage for October through December.

For January through September, the employer should enter code 1E on Line 14, should report \$100 as the employee monthly cost-share on Line 15, and should enter code 2C on Line 16 to report that the FTE enrolled in the coverage offered.

- Line 14 – 1E
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C

For October through December, the employer should enter code 1E on Line 14, should report \$500 on Line 15, and should enter code 2C on Line 16.

- Line 14 – 1E
- Line 15 – Enter COBRA premium amount (inclusive of any COBRA administrative fee)
- Line 16 – 2C

**Example 2:**

The same facts as Example 1 for Q14, except the FTE chooses not to enroll in the COBRA continuation coverage.

- Line 14 – 1E
- Line 15 – Enter COBRA premium amount (inclusive of any COBRA administrative fee)
- Line 16 – 2B, 2F, 2G, or 2H

The employer should complete Lines 14 and 15 in the same manner as Example 1. However, the applicable indicator code, if any, for Line 16 is determined as it would be for any other active employee. The indicator code will depend on whether the FTE is treated as an FTE for purposes of the employer mandate. If they're not, then the employer can use code 2B. If they are, then the appropriate code for Line 16 depends on whether the offer of COBRA continuation coverage for the FTE satisfies one of the affordability safe harbors (code 2F, 2G, or 2H).

**Q15. How should a fully insured employer report coverage of an FTE's spouse/domestic partner who separately elects COBRA continuation coverage?**

A. The reporting obligation for fully insured employers ends upon termination of employment, even if the employee's spouse/domestic partner separately elects COBRA continuation coverage. The carrier is responsible for post-termination reporting on the covered spouse/domestic partner.

**3. SPECIFIC REPORTING INFORMATION FOR SELF-INSURED (INCLUDING LEVEL-FUNDED) EMPLOYERS**

**Q16. How should a self-insured employer report on an FTE who terminates employment during a calendar year and receives an offer of COBRA continuation coverage?**

A. Same answer as Q13 above, except that the employer must report that coverage for any former employee, spouse/domestic partner, or dependent who enrolls in COBRA continuation coverage in Part III of Form 1095-C.

**Q17. How should a self-insured employer report on an FTE who enrolls in COBRA continuation coverage due to a non-FMLA reduction in hours, i.e., a change from full-time to part-time status that results in a loss of eligibility for coverage under the plan?**

A. Same answer as Q14 above, except that the employer must report that coverage for the employee, spouse/domestic partner, or dependent who enrolls in COBRA continuation coverage in Part III of Form 1095-C.

**Q18. How should a self-insured employer report coverage of an FTE's spouse/domestic partner who separately elects COBRA continuation coverage?**

A. Self-insured employers should report coverage of each non-employee spouse/domestic partner who separately elects COBRA continuation coverage on a separate Form 1095-B (or Form 1095-C; see Q19 below).

If an employee's spouse/domestic partner, or former spouse/domestic partner, receives COBRA continuation coverage because an FTE elected COBRA continuation coverage that also provides coverage to the spouse/domestic partner (e.g., family coverage), then the coverage of the FTE and the spouse/domestic partner should be reported together on the same Form 1095-C or Form 1095-B that is provided to the FTE.

**Example:**

An FTE elects self-plus-spouse/domestic partner coverage under the self-insured employer's health plan effective for the plan year beginning January 1. On June 15 of the same year, the FTE gets divorced and their spouse loses eligibility for coverage under the plan as of the date of divorce. The employer makes an offer of COBRA continuation coverage to the former spouse, who elects to enroll in the COBRA continuation coverage and remains enrolled from June 15 through December 31 of the same year.

The employer should report the FTE's enrollment on Part III of Form 1095-C by reporting that the FTE was enrolled in MEC for January through June, and that the FTE's spouse had coverage (due to the FTE's enrollment in coverage that provided coverage to a spouse) for January through June.

For the period July through December, the employer should issue a separate Form 1095-B or Form 1095-C to the former spouse to report the former spouse's enrollment in MEC under the employer's plan.

**Q19. How should a self-insured employer report coverage provided to an FTE's former spouse/domestic partner who was not an employee on any day of the prior calendar year?**

**A.**

- Line 14 – 1G
- Line 15 – No Entry
- Line 16 – No Entry

The employer may report enrollment information for an FTE's former spouse/domestic partner by entering code 1G on Line 14 for all 12 months and completing Part III of Form 1095-C. No entry is required on Lines 15 or 16 for this non-employee.

Form 1095-C requires the recipient's SSN on Line 2. Note that beginning in 2025, employers may substitute a covered individual's DOB on Form 1095-B and in Part III of Form 1095-C when they are unable to collect that covered individual's SSN. However, in Part I of Form 1095-C, employers must include an accurate SSN for their employees.

## **4. SIMPLIFIED METHODS OF REPORTING FOR BOTH FULLY INSURED AND SELF-INSURED (INCLUDING LEVEL-FUNDED) EMPLOYERS**

**Qualifying Offer Method****Q20. How does an employer qualify for the Qualifying Offer Method?**

**A.** If an employer can certify that it made a qualifying offer of coverage to all FTEs for all 12 months of the year (or, for mid-year hires/terminations, for all months in which the employee was an FTE), and the FTE did not enroll in coverage for any months during which the FTE was eligible for the employer's qualifying offer, then the employer may use an alternate reporting method for the FTE.

A qualifying offer is an offer that satisfies all of the following criteria:

- Offer of MEC that provides MV
- Employee monthly cost-share for the lowest-cost self-only coverage is affordable according to the FPL safe harbor
- An offer of MEC is also made to the employee's spouse/domestic partner and dependents

**Q21. How does an employer report under the Qualifying Offer Method?**

**A.** On Form 1094-C, Line 22, Certifications of Eligibility, the employer should check box A, Qualifying Offer Method. On Form 1095-C, Line 14, the employer should enter code 1A. No entry is required on Line 15. If the employee waives coverage, the employer should enter code 2G on Line 16 to reflect that the employer satisfied the FPL safe harbor, which is one criterion of a qualifying offer (see the second bullet in the answer to Q20 above). If the employee actually enrolled for coverage, the employer should enter code 2C on Line 16 (or Line 16 can be left blank, per the Instructions).

- Line 14 – 1A
- Line 15 – No Entry
- Line 16 – 2G, 2C, or Blank

The Form 1095-C must be filed with the IRS. However, the employer may provide the FTE with a general statement in lieu of a copy of the Form 1095-C containing certain information and stating that the FTE is not eligible for the premium tax credit because they received a qualifying offer.

The alternative statement may not be used by self-insured employers with respect to any employee who enrolled in the coverage under the self-insured plan, because the employer is required to report that coverage on Form 1095-C.

## **Q22. What are the advantages and disadvantages of the Qualifying Offer Method?**

### **Advantages**

- The employer has the option to provide an employee statement (either automatically, or upon request with adequate notice), rather than a copy of the Form 1095-C, to each employee who was offered coverage. Thus, the employer could prepare and send identical notices to every FTE who received a qualifying offer for all 12 months (or all months during which the employee was full-time, for mid-year hires or terminations), eliminating the need to match forms to specific employees.
- Under the Qualifying Offer Method, the employer doesn't have to report employee monthly cost-share information on Line 15 for all 12 months.

### **Disadvantages**

- The Qualifying Offer Method is only available to employers who used the FPL affordability safe harbor. Many employers do not use the FPL safe harbor as they choose to rely on an affordability safe harbor that allows a higher employee cost-share than the amount permitted under the FPL safe harbor.
- While providing a uniform statement to employees may sound like a simplification, the statement must meet certain requirements and be substantially similar to Form 1095-C. Therefore, it may be easier to simply provide Form 1095-C, particularly since the employer still has to prepare a Form 1095-C for each employee for filing with the IRS.

## **98% Offer Method**

### **Q23. How does an employer qualify for the 98% Offer Method?**

**A.** If the employer can certify that for all months of the calendar year it offered affordable MV health coverage to at least 98% of its employees for whom it is filing a Form 1095-C, and offered MEC to those employees' dependents (spouses/domestic partners are not required to receive an offer of MEC), then it may be eligible to use the 98% Offer Method.

### **Q24. How does an employer report under the 98% Offer Method?**

**A.** If eligible, the employer can check box D, 98% Offer Method, on Line 22, Certifications of Eligibility, on Form 1094-C. The employer is not required to determine whether all employees for whom it is filing were FTEs and, therefore, is not required to complete Form 1094-C, Part III, column (b), Full-Time Employee Count for ALE Member, on its authoritative transmittal. However, the employer must still complete Forms 1095-C for all of its FTEs.

On Form 1095-C, for the employees who received the offer, the employer should enter code 1C or 1E on Line 14, as applicable, and should report on Line 15 the employee monthly cost-share for the lowest-cost self-only MEC provided MV offered under the plan.

On Line 16, the employer should enter the code for the applicable affordability safe harbor (code 2F, 2G, or 2H); code 2C is also an option if the employee actually enrolled in coverage.

- Line 14 – 1C or 1E
- Line 15 – Enter employee monthly cost-share for the lowest-cost self-only coverage
- Line 16 – 2C, 2F, 2G, or 2H

### **Q25. What are the advantages and disadvantages of the 98% Offer Method?**

### **Advantages**

- The employer is not required to identify which of the employees for whom it is filing were FTEs (i.e., the employer doesn't have to calculate the hours of each employee), but it must still file Forms 1095-C on behalf of all of its FTEs. This means the employer doesn't have to report the total number of FTEs (usually done through column (b) on Part III of Form 1094-C).

## Disadvantages

- The employer must offer MV coverage to at least 98% of all employees for whom it is filing.
- Unlike under the Qualifying Offer Method, the employer isn't allowed to prepare a general statement for employees in lieu of a Form 1095-C. Since the employer must still provide a Form 1095-C to each FTE (either automatically, or upon request with adequate notice), there's no simplification.
- The employer may need to complete forms for a part-time employee for whom it is otherwise not required to complete a form.

## SUMMARY

The ACA reporting obligations are complex, and these FAQs are not meant to provide guidance on every reporting situation.

## RESOURCES

[IRS Q&As on Reporting of Offers of Health Insurance Coverage by Health Coverage Providers \(Section 6055\)](#)

[IRS Q&As on Reporting of Offers of Health Insurance Coverage by Employers \(Section 6056\)](#)

[IRS Q&As about Employer Information Reporting on Form 1094-C and Form 1095-C](#)

[Form 1094-B](#)

[Form 1094-C](#)

[Form 1095-B](#)

[Form 1095-C](#)