Valent GROUP Compliance Check

Final Forms and Instructions for 2020 ACA Reporting Released

The Internal Revenue Service (IRS) released **final 2020 forms and instructions** for reporting under Internal Revenue Code (Code) Sections 6055 and 6056.

- **2020 Form 1094-B and Form 1095-B (and related instructions)** will be used by providers of minimum essential coverage (MEC), including self-insured plan sponsors that are not ALEs, to report under Section 6055.
- **2020 Form 1094-C and Form 1095-C (and related instructions)** will be used by applicable large employers (ALEs) to report under Section 6056, as well as for combined Section 6055 and 6056 reporting by ALEs who sponsor self-insured plans.

The due date for filing forms with the IRS for 2020 remains **March 1, 2021** (since Feb. 28, 2021, is a Sunday), or **March 31, 2021**, if filing electronically.

Action Steps

Employers should become familiar with these forms and instructions for reporting for the 2020 calendar year. Individual statements must be furnished by March 2, 2021, and IRS returns must be filed by Feb. 28, 2021 (March 31, 2021, if filed electronically).

Highlights

- Final forms and instructions for 2020 reporting under Sections 6055 and 6056 are now available.
- The "Plan Start Month" box on the Form 1095-C is now required for 2020 reporting.
- Form 1095-C includes additional codes in Code Series 1 related to ICHRAs.
- Form 1095-B includes letter G for use on line 8, Origin of the Health Coverage, to indicate coverage under an ICHRA.

Important Dates

- Feb. 28, 2021
  - IRS returns for 2020 must be filed by Feb. 28, 2021 (March 31, 2021, if filed electronically).
- **March 2, 2021**
  - The deadline for furnishing individual statements for 2020 was extended to March 2, 2021.

This ACA Overview is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

Background

The Affordable Care Act (ACA) created reporting requirements under Code Sections 6055 and 6056. Under these rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) or provide to their employees. Each reporting entity must annually file all of the following with the IRS:

- A separate statement (Form 1095-B or Form 1095-C) for each individual who is provided with minimum essential coverage (for providers reporting under Section 6055), or for each full-time employee (for ALEs reporting under Section 6056); and
- A transmittal form (Form 1094-B or Form 1094-C) for all of the returns filed for a given calendar year.

Reporting entities must also furnish related statements (Form 1095-B or 1095-C) to individuals, subject to the relief for furnishing individual statements under Section 6055 described below.

Forms must generally be filed with the IRS no later than Feb. 28 (March 31, if filed electronically) of the year following the calendar year to which the return relates. Individual statements must generally be furnished to individuals on or before Jan. 31 of the year immediately following the calendar year to which the statements relate.

2020 Forms and Instructions

The 2020 instructions include a number of changes and clarifications related to 2020 reporting.

- **Extension of due date for furnishing statements.** The due date for furnishing Forms 1095-B and 1095-C to individuals has been extended from Jan. 31, 2021, to **March 2, 2021**.
- **Relief for failure to furnish statements.** The IRS has extended relief from penalties for failure to furnish individual statements under Section 6055 for 2020 calendar year reporting. Specifically, the IRS will not impose a penalty for reporting entities that furnish Form 1095-B to individuals only upon request, if certain conditions are met.
- **Extension of good faith relief for reporting and furnishing.** The IRS has extended good faith relief from penalties related to 2020 calendar year reporting. Specifically, the IRS will not impose a penalty for reporting incorrect or incomplete information on the Forms 1095-B or 1095-C, as applicable, if the reporting entity makes a good faith effort to comply with the information reporting requirements.
- **Individual coverage health reimbursement arrangement (ICHRA).** For plan years beginning on or after Jan. 1, 2020, employers may offer HRAs integrated with individual health insurance coverage or Medicare, subject to certain conditions (ICHRAs).
    - ***Section 6055:*** Generally, an HRA, including an ICHRA, is a self-insured group health plan and, therefore, is an eligible employer-sponsored plan. A new code G must be entered on Form 1095-B, line 8 “Origin of Health Coverage,” to identify an ICHRA.

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- ***Section 6056*:** On Sept. 30, 2019, the IRS issued proposed regulations clarifying the application of the employer shared responsibility (pay or play) rules to ICHRAs and providing proposed safe harbors for the application of those provisions to ICHRAs. Form 1095-C has been modified to add new codes in Code Series 1 for reporting offers of ICHRAs and new lines for reporting required information.

+ **Plan start month.** The "Plan Start Month" box is now required for the 2020 Form 1095-C. This section has previously been optional for each prior year of reporting.

Specific Changes Related to ICHRAs

Certain additions were also made to the 2020 Forms 1095-B and 1095-C related to ICHRAs. Specifically, Form 1095-B includes an additional letter for line 8 to identify the origin of the health coverage. Letter G indicates coverage under an ICHRA.

In addition, the Form 1095-C includes the following additional codes in Code Series 1:

+ **1L.** ICHRA offered to employee only with affordability determined by using employee's primary residence location zip code.
+ **1M.** ICHRA offered to employee and dependent(s) (not spouse) with affordability determined by using employee's primary residence location zip code.
+ **1N.** ICHRA offered to employee, spouse and dependent(s) with affordability determined by using employee's primary residence location zip code.
+ **1O.** ICHRA offered to employee only using the employee's primary employment site zip code affordability safe harbor.
+ **1P.** ICHRA offered to employee and dependent(s) (not spouse) using the employee's primary employment site zip code affordability safe harbor.
+ **1Q.** ICHRA offered to employee, spouse and dependent(s) using the employee's primary employment site zip code affordability safe harbor.
+ **1R.** ICHRA that is NOT affordable offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents.
+ **1S.** ICHRA offered to an individual who was not a full-time employee.
+ **1T-1Z.** Reserved for future use.

The 2020 Form 1095-C also includes a **new section to enter the zip code** used to determine affordability for an ICHRA, if one was offered to the employee. In addition, Part II of the 2020 Form 1095-C includes a **new section to enter the employee's age on Jan. 1**.

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Additional Resources

The 2019 versions of these forms are currently available on the IRS website:

- Form 1094-B and Form 1095-B (and related instructions); and
- Form 1094-C and Form 1095-C (and related instructions).

These forms must have been filed with the IRS no later than Feb. 28, 2020 (March 31, 2020, if filing electronically). However, the IRS extended the due date for furnishing individual statements for 2019 from Jan. 31, 2020, to March 2, 2020.

According to the IRS, information returns under Sections 6055 and 6056 may continue to be filed after the filing deadline (both on paper and electronically). Employers that missed the filing deadline should continue to make efforts to file their returns as soon as possible.

The IRS also previously released:

- Q&As on Section 6055 and Q&As on Section 6056; and
- A separate set of Q&As about Information Reporting by Employers on Form 1094-C and Form 1095-C.

More Information

Please contact Valent Group, LLC for more information on reporting under Code Sections 6055 and 6056.

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