



Maine Municipal Employees Health Trust

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To: Health Trust Participating Employers
From: Anne Wright, Director, MMEHT
Date: December 2, 2016
Re: ACA Update - Form 1095-C Changes for 2016

Good afternoon!

This week's ACA update provides you with some information on the (very minor) changes that have been made to the IRS Form 1095-C. And just like last week, this update is of interest to those employers who meet the ACA's definition of Applicable Large Employers (that is, 50 or more full-time plus full-time equivalent employees), since only Applicable Large Employers are required to provide Forms 1095-C to their employees, and file the forms with the IRS. So if you work for an employer that is not an Applicable Large Employer – time to go home and start your weekend!

As I'm sure you all remember, Applicable Large Employers must provide a Form 1095-C each year to every employee who met the ACA's definition of "full-time" in the previous year. So, in 2017, large employers must provide a Form 1095-C to each employee who worked full-time during 2016. "Full-time" employees are defined by the ACA as those employees working 30 or more hours per week, or 130 or more hours per month.

The purpose of the Forms 1095-C is to let your full-time employees (and the IRS) know if you offered them affordable health insurance coverage during the year. It's important for employees to know if you offered them affordable coverage, because that affects their eligibility for receiving any kind of subsidy through the Health Insurance Marketplace. And it's important for the IRS to know if you offered your full-time employees affordable coverage, because that could affect whether or not you (as an employer) are subject to a penalty under the ACA, if one or more of your full-time employees does purchase coverage, and receives a subsidy, through the Marketplace.

A Form 1095-C must be provided to **every full-time employee**, regardless of whether or not they were enrolled in your health plan.

The IRS issued the final Forms 1095-C for 2016 in October of this year. You can access those forms online at: <https://www.irs.gov/pub/irs-pdf/f1095c.pdf>. Instructions for completing the Form 1095-C (and Form 1094-C, the transmittal form for the IRS - which we will discuss next week) may be found at: <https://www.irs.gov/pub/irs-pdf/i109495c.pdf>.

One change to the Form 1095-C that should come in handy when employees file their tax returns is the notice directly under the title of the form, at the top of the page. Right under the form name ("Employer-Provided Health Insurance Offer and Coverage") is a note that says "**Do not attach to your tax return. Keep for your records.**" Since the IRS receives a copy of every Form 1095-C, employees do not need to – and should not – file their copy of the form with their tax return. Last year, there was some confusion on this point, but the IRS has (hopefully) cleared it up here.

Other changes to the Form 1095-C were pretty minor, as follows:

Line 14 – Offer of Coverage. Code 1I (Qualifying Offer Transition Relief 2015) is not available for use on this year’s forms. The code is marked “Reserved” for possible use in future years.

There are two new codes: Code 1J (*Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage conditionally offered to spouse; minimum essential coverage not offered to dependent(s)*) and Code 1K (*Minimum essential coverage providing minimum value offered to employee; at least minimum essential coverage offered to dependents; and at least minimum essential coverage conditionally offered to spouse*). These codes are explained in the Instructions as follows:

Conditional offer of spousal coverage. *New codes 1J and 1K address conditional offers of spousal coverage (also referred to as coverage offered conditionally). A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee’s spouse only if the spouse is not eligible for coverage under Medicare or a group health plan sponsored by another employer). Using new codes 1J and 1K, an ALE Member may report a conditional offer to a spouse as an offer of coverage, regardless of whether the spouse meets the reasonable, objective condition. A conditional offer generally would impact a spouse’s eligibility for the premium tax credit under section 36B only if all conditions to the offer are satisfied (that is, the spouse was actually offered the coverage and eligible for it). To help employees (and spouses) who have received a conditional offer determine their eligibility for the premium tax credit, the ALE Member should be prepared to provide, upon request, a list of any and all conditions applicable to the spousal offer of coverage. As is noted in the definition of dependent in the Definitions section, a spouse is not a dependent for purposes of section 4980H.*

An ALE Member may not report a conditional offer of coverage to an employee’s dependents as an offer to the dependents, unless the ALE Member knows that the dependents met the condition to be eligible for the ALE Member’s coverage. Further, an offer of coverage is treated as made to an employee’s dependents only if the offer of coverage is made to an unlimited number of dependents regardless of the actual number of dependents, if any, an employee has during any particular calendar month.

Line 15 – On the 2015 form, the title for this line was “Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage”. On this year’s form, the title for this line is simply “Employee Required Contribution (see instructions)”. The amount that goes into the box(es) on line 15 will be calculated in the same way, since the employee’s required contribution is still the employee’s share of lowest cost monthly premium, for self-only minimum value coverage. Only the title has changed.

Line 16 – Section 4980H Safe Harbor and Other Relief. Code 2I (Non Calendar Year Transition Relief) is not available for use on this year’s forms. The code is marked “Reserved” for possible use in future years.

Remember, the IRS has granted a **30-day extension** to all large employers with regard to the distribution of their Forms 1095-C. You now have until **March 2, 2017**, to provide the 2016 forms to your full-time employees.

Next week we’ll talk about changes to the form 1094-C (the transmittal form to the IRS). Until then – have a great weekend!

Anne

Please note that the Maine Municipal Association and the Maine Municipal Employees Health Trust are sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel with specific questions relating to this law.