



Maine Municipal Employees Health Trust

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To: Health Trust Participating Employers
From: Anne Wright, Director, MMEHT
Date: January 19, 2018
Re: Numbers to Know: 1095-C and 226-J

Good afternoon! We thought we'd spend a few minutes today talking about some numbers you should know, with regard to the ACA. One (1095-C) should be familiar to you by now; the other (226-J) maybe not so much. Let's start with the familiar one first.

1095-C (part 1)

If you are an Applicable Large Employer (50 or more full-time plus full-time equivalent employees), by now you know about the IRS **Form 1095-C**. You know that, as a large employer, you are required to use this form to report to your full-time employees, and to the IRS, on whether or not you offer affordable health insurance coverage to your full-time employees each year. And you know that, once again, the IRS has extended the deadline for providing the forms 1095-C to your employees this year, until March 2, 2018. And if you are really in the know, you are planning to attend one of the ACA Reporting Workshops that the Health Trust will be holding on January 30 in Augusta, and on February 6 in Orono! *(I know, I know, it was a shameless plug But the workshops are so much fun. Really.)*

Of course, once you've provided the 1095-C to all of your full-time employees, that doesn't mean your work is finished! Remember to file copies of all the 1095-Cs, along with a completed Form 1094-C, with the IRS. The deadline is February 28, 2018, if you are filing paper copies; or March 31, 2018, if you are filing electronically. For more information on how to complete the Forms 1095-C and 1094-C, please attend one of the Health Trust's ACA Reporting Workshops, to be held on January 30 in Augusta, and on February 6 in Orono. *(What? Another plug? You betcha.)*

1095-C (part 2)

The purpose of the **Form 1095-C** is to confirm whether you as an Applicable Large Employer are offering minimum essential, affordable health insurance coverage to your full-time employees. The IRS will use the information provided on the Forms 1095-C, along with information provided by health insurers on the Forms 1095-B, and by the Health Insurance Marketplace on Forms 1095-A, to determine whether an Applicable Large Employer might be subject to a penalty under the ACA's Employer Shared Responsibility Provision. *(If you are unfamiliar with any of these terms and how they are used under the ACA, you can learn more on January 30 in Augusta or February 6 in Orono. 'Nuff said.)* And eventually, once the IRS has reviewed all of the information regarding who has health insurance coverage and which employers offered (or didn't offer) coverage, some people and/or employers might find themselves subject to a penalty.

Whether or not an individual is subject to a penalty is determined under the ACA's Individual Shared Responsibility Provision. Under the ACA, every individual (with very few exceptions) is required to have health insurance coverage. You may have noticed on your tax returns over the past few years that there is now a question asking you to confirm whether you had health insurance coverage for the entire year (Line 61 on the 2017 Form 1040). If you go without coverage for three or more months in a given year, unless there are extenuating circumstances, you may find yourself subject to a penalty under the ACA.

For large employers, the penalty might come about as a result of the Employer Shared Responsibility Provision of the ACA. This provision requires Applicable Large Employers to offer affordable health insurance coverage to their full-time employees or risk having to pay a penalty, if certain conditions are met. *(Bet you know where you can find out more about what those conditions are in Augusta on January 30 and Orono on February 6.)*

As stated above, that is one of the major purposes behind the Forms 1095-C and 1094-C: for large employers to report to their full-time employees, and to the IRS, on whether or not affordable health insurance coverage is being offered to full-time employees. And, lest you think that you have been filing all of these forms in vain for the past few years, the IRS has confirmed that it has started sending out notices to Applicable Large Employers that may be subject to a penalty under the Employer Shared Responsibility Provision of the ACA.

226-J

These notices, known as **Letter 226-J**, are sent to an Applicable Large Employer when, after reviewing employees' tax returns and the employer's Forms 1095-C and 1094-C (along with any applicable Forms 1095-A and 1095-B), the IRS determines that, for at least one month during the calendar year, three things occurred (sort of the ACA "perfect storm"): (1) at least one of the employer's full-time employees was enrolled in a qualified health plan through the Health Insurance Marketplace or Exchange; and (2) at least one of those full-time employees enrolled in the Health Insurance Marketplace or Exchange qualified for and received a premium tax credit or subsidy with regard to that coverage; and (3) the employee(s) who received that premium tax credit or subsidy were not offered affordable coverage by the Applicable Large Employer.

Letter 226-J is the IRS' initial notice to those employers who may owe a penalty based on their offer (or non-offer) of health insurance to full-time employees. The letters that are going out now are based on the offer (or non-offer) of coverage during calendar year **2015**. If you receive one of these letters, it is very important that you respond within 30 days of the date of the letter, or else the IRS may assess you the full amount of the penalty that it has determined you owe for 2015.

If you do not agree with the information that is in the letter, you may contest the penalty, by completing and returning IRS Form 14764. Believe it or not, that's the same form you would submit with your payment if you agree with the penalty! However, if you disagree with the IRS assessment, you will also need to provide a signed statement outlining exactly why you disagree. *(We'll talk more about this during the ACA Reporting Workshops in Augusta and Orono. Hopefully you did not receive a 226-J! If you did, please call, and we can help.)*

Where Are the Forms?

IRS Form 1095-C: <https://www.irs.gov/pub/irs-pdf/f1095c.pdf>

IRS Form 1094-C: <https://www.irs.gov/pub/irs-pdf/f1094c.pdf>

IRS Instructions for Forms 1095-C and 1094-C: <https://www.irs.gov/pub/irs-pdf/i109495c.pdf>

IRS Letter 226-J: <https://www.irs.gov/pub/notices/ltr226j.pdf>

IRS Form 14764: <https://www.irs.gov/pub/irs-pdf/f14764.pdf>

ACA Reporting Workshops: <https://www.mmeht.org/news/upcoming-workshops-aca-reporting/>

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.