

December 2015

IRS Extends 2016 Deadlines for ACA Reporting

On December 28, 2015, the IRS issued Notice 2016-4 extending the due dates for employers to complete their 2015 ACA reporting requirements using Forms 1094 and 1095. The deadline for employers to provide a Form 1095-B or 1095-C to applicable employees and other covered individuals has been extended from February 1, 2016 to March 31, 2016. The deadline to file the Form 1094-B or 1094-C transmittal form with the IRS has been extended from February 29, 2016 to May 31, 2016 if the employer is not filing electronically (i.e., via paper forms), and from March 31, 2016 to June 30, 2016 if filing electronically.

Background

All applicable large employers—those with 50 or more full-time employees, including full-time equivalents (FTEs)—are required to report whether minimum value, affordable coverage was offered to any employees who were full-time for at least one month during the calendar year. And all employers sponsoring a self-funded medical plan are required to report on all individuals covered under the plan, even those who are not full-time employees. The employer will report the required information by using Forms 1094 and 1095 (B or C). Employers who must provide 250 or more Forms 1095 are required to file electronically.

Extension of the Deadlines

The IRS stated that the purpose of the extensions is to provide additional time for employers and reporting entities to adapt and implement systems and procedures to gather, analyze and report the necessary information. These extensions reflect the IRS' recognition that many employers and reporting vendors are simply not prepared to meet the

reporting requirements by the original deadlines. However, the Notice makes it clear that no further extensions will be granted on an employer-by-employer basis, and penalties will likely apply for employers who fail to file by the new deadlines.

Effect on Individual Taxpayers

The Notice also points out that individuals do not need to provide the IRS with a copy of Form 1095 when filing their tax returns, but some individuals may need the information on Form 1095 for purposes of determining their eligibility for a tax credit or whether they had coverage as required to avoid individual mandate penalties. For 2015 reporting, individuals who do not receive a Form 1095 prior to filing their tax returns may rely on other sources of information for these purposes and will not be required to file an amended return if they subsequently receive a Form 1095 containing different information.

Summary

The extra two months to provide statements to employees and the extra three months to file returns with the IRS is welcome news. However, many employers may still struggle to meet the newly extended deadlines, so it is important to keep moving ahead with reporting preparation as the IRS has made it clear that penalties (of up to \$250 per form) will apply to those who file late.

Important note: The IRS has stated that they will not impose penalties on employers for reporting incorrect or incomplete information if the employer can show that it made good faith effort to comply with the information

(continued on next page)

reporting requirements. This “good faith” effort basically means that if employers make a reasonable effort to fill out the forms correctly (even if the forms are ultimately determined to be incorrect/incomplete), there will be no reporting penalties as long as the forms are filed **on time**. However, if an employer fails to meet even the extended deadlines, they should still provide and file the forms as soon as possible in order to request any available reduced penalty (based on a number of factors that the IRS will review).

Woodruff-Sawyer is one of the largest independent insurance brokerage firms in the nation, and an active partner of Assurex Global and International Benefits Network. For 97 years, we have been partnering with clients to deliver effective insurance, employee benefits and risk management solutions, both nationally and abroad. Headquartered in San Francisco, Woodruff-Sawyer has offices throughout California and the West, including Oregon, Washington, Colorado and Hawaii.

For more information, please contact us at 415.391.2141 or visit us online at www.wsandco.com.