

What employees need to know now to file tax forms for PPACA

When and who should file Forms 1095-A, 1095-B, and 1095-C

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The **Patient Protection and Affordable Care Act (PPACA)** reporting deadlines are rapidly approaching, presenting a major administrative burden for **employers** who face penalties for failing to report in a timely and accurate manner.



While there has been significant discussion of employer roles and responsibilities, employees have been largely left out of the equation.

However, many employees will soon be receiving new forms that are critical to their ability to file their tax returns and to their employers' ability to accurately fulfill their own reporting requirements. Among these are Forms 1095-A, 1095-B, and 1095-C.

With this in mind, it is important for employers to educate individual taxpayers on what they are required to do and when and how to complete these requirements in the easiest and most efficient manner.

1095-C

The most commonly received form will be the new 1095-C, which millions of Americans will be receiving for the first time this year.

This new government form is used to tell the Internal Revenue Service that you were eligible for insurance coverage under the Affordable Care Act and whether you took advantage of or waived this coverage.

This form will be sent by employers no later than March 31 to all eligible full-time employees who worked for a company with a total of 100 or more full-time or full-time equivalent employees in 2015. For the purposes of this form, full-time is any employee working 30 or more hours per week or 130 hours in a calendar month.

According to the IRS guidance, Form 1095-C helps to determine whether both the employer and the employee have complied with the "shared responsibility" clause of the ACA.

The form also determines whether an individual or family qualifies for the Premium Tax Credit, which reduces the burden of purchasing health insurance.

Anyone who does not have coverage elsewhere and chose to decline employer-sponsored health care coverage will be required to pay a penalty for not carrying coverage--this penalty will be assessed on their tax return.

For 2015, the penalty for declining all health care coverage is \$325 per uninsured adult and \$162.50 per uninsured child or 2 percent of household income, whichever is greater up to a family maximum of \$975.

The penalty will increase to \$695 per uninsured adult and \$347.50 per child or 2.5 percent of household income up to a family maximum of \$2,085 in 2016, and will continue to rise with inflation year-over-year.

However, the IRS offers special exemptions based on income, circumstance and membership in certain groups, so those without coverage should research their options or consult a tax professional. (The most common exemption is for those who declined employer-sponsored coverage that would have cost more than 8 percent of their total household income.)

Health care exemptions can be claimed by filing IRS form 8965 with your taxes. As previously noted, the form also determines who may be eligible for premium credits to help defray the expense of coverage.

Employers are required to submit insurance coverage information, along with social security numbers and other identifying employee information to the IRS, and employee failure to disclose a waiver of coverage may result in an audit and penalties greater than the ACA individual mandate penalty.

1095-B

Form 1095-B essentially serves the same purpose as form 1095-c, but is used by and sent to employees of companies with fewer than 100 employees.

It may also be sent directly by an insurer to certify that individuals/families had non-employer sponsored coverage in place in 2015. This coverage may have come from:

- Government health care plans such as [Medicare](#) Part A, Medicare Advantage, Medicaid, the Children's Health Insurance Program, and Tricare for military members, veterans' medical benefits and plans for Peace Corps volunteers.
- Health coverage purchased through the "Marketplace" -- Web-based federal and state insurance markets set up under the Affordable Care Act.
- Any individual health insurance policy in place before the Affordable Care Act took effect.

Depending on the way a health care plan is structured, some employees may receive both a 1095-B and a 1095-C.

1095-A

Form 1095-A is only applicable to those who purchased their health care coverage through ACA's health care exchanges.

This form plays a critical role in reconciling the Advanced Premium Tax Credits (also known as APTCs)--a yearly stipend based on modified adjusted gross income designed to help lower-income individuals and families defray the cost of purchasing exchange-based health insurance--for 2015 and in determining future credits for 2016.

Per IRS and ACA requirements, any excess APTC received in the previous year must be repaid through income tax.

What to do with these forms

Like the more familiar W-2 or 1099 forms, the 1095-A, B, and C will be needed to file a 2015 tax return for anyone who receives it.

Those using a tax preparer will need to bring it with them along with their other filing documents, and those doing their own taxes or using tax preparation software will need to keep this document with their tax records in case of any further inquiry /audit by the IRS.

Help is available

Of course, this is just one important factor in gaining a more thorough understanding of the complexities of the ACA. While the IRS has worked to streamline the process as much as possible, many employers and employees are struggling to understand and keep pace with changing requirements.

There are a number of consulting firms like Quality Business Solutions which have teams of experts available to help companies navigate this substantial and intricate legislation.

However, for quick questions, there are many good resources available to both employers and employees. One of the best is the [IRS website](#). [Intuit](#) also has excellent tips and videos. The [QBS blog](#) also can help dispel misconceptions about ACA.

As in all tax-related issues, the most important factors in handling ACA reporting for all groups are to know what's coming, prepare in advance, keep excellent records, take note of deadlines and avail yourself of helpful resources.