

ACA - IRS Form 1095-C: Tips and Instructions for Indicator Codes on Lines 14, 15, and 16

The following frequently asked questions address Affordable Care Act (ACA) questions MRA members have asked relating to IRS Form 1095-C and specific instructions on filling out lines 14, 15 and 16.

1. Which employers need to fill out the IRS Form 1094-C and 1095-C?

Employers subject to section 4980H of the Internal Revenue Code, generally meaning Applicable Large Employers (ALE's) with 50 or more full-time employees (including full-time equivalent employees) in the preceding calendar year, use [Form 1094-C](#), Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, and [Form 1095-C](#), Employer-Provided Health Insurance Offer and Coverage, to report the required information to the IRS. ALEs are also required to send the Form 1095-C for each employee to that employee. These forms are used to determine whether the ALE owes a payment under the employer shared responsibility provisions, and whether employees are eligible for a premium tax credit. Small employers (under 50 FTE's) who are self-insured, may also have some IRS reporting obligations.

2. What are the due dates for these forms?

The Internal Revenue Service (IRS) has extended the due dates for certain information reporting requirements for 2016 imposed by the Affordable Care Act (ACA) under section 6055 and 6056 of the Internal Revenue Code. Specifically, [Notice 2016-70](#) extends the due date to distribute Forms 1095-B, Health Coverage, and 1095-C, Employer-Provided Health Insurance Offer and Coverage to employees from January 31, 2017, to **March 2, 2017**.

This extension gives employers and issuers an extra month to provide individuals with these forms, however the Department of the Treasury and the IRS did not see a similar need for additional time for employers, insurers, and other providers of minimum essential coverage to file the 2016 Forms 1094-B, 1095-B, 1094-C, and 1095-C. Therefore, this notice does not extend the due date for filing the 2016 Forms 1094-B, 1095-B, 1094-C, or 1095-C, which remains February 28, 2017, if not filing electronically, or March 31, 2017, if filing electronically.

3. Can I get an extension for filing Form 1095-C with the IRS?

Yes, employers can apply for a 30-day extension for any reason by sending in [Form 8809](#).

4. What sections of Form 1095-C need to be filled out for self-insured employers and for fully-insured employers?

If an ALE employer is self-insured, they fill out Sections I, II and III. If the employer is fully insured, they only fill out Sections I & II. The insurer will fill out Form 1095-B and send to the IRS and employee to report this information.

5. What should I do if I receive a form from the IRS that the SSN's provided on Form 1095-C do not match with what is documented in their system?

If you receive this type of notice from the IRS, document your requests of the employee to correct this matter in order to avoid penalties from the IRS. It is recommended that sending the employee three (3) letters will be sufficient to demonstrate that the employer made a "good faith effort" to fix the situation.

6. If I contract with a third-party to fulfill our reporting obligations, can I assume they are responsible for any errors?

Even if you contract with a third-party to fulfill your reporting obligation, such as your payroll provider, the employer is ultimately responsible. Before submitting all required forms, conduct a self-audit. It will be time well-spent and will allow you to correct any inaccuracies or errors made by your third-party vendor.

**Form 1095-C, Part II, Line 14:
Indicator Code Series 1 for Employee Offer of Coverage**

Line 14. For each calendar month, enter the applicable code from Code Series 1. If the same code applies for all 12 calendar months, you may enter the applicable code in the “All 12 Months” box and not complete the individual calendar month boxes, or you may enter the code in each of the boxes for the 12 calendar months. If an employee was not offered coverage for a month, enter code 1H. Do not leave line 14 blank for any month (including months when the individual was not an employee of the employer). An employer offers health coverage for a month only if it offers health coverage that would provide coverage for every day of that calendar month. Thus, if coverage terminates before the last day of the month (because, for instance, the employee terminates employment, or otherwise loses eligibility for coverage under the plan), the employee does not actually have an offer of coverage for that month (and code 1H should therefore be entered on line 14). See line 16, code 2B, later, for how the employer may complete line 16 in the event that coverage terminates before the last day of the month.

1A. Qualifying Offer: Minimum essential coverage providing minimum value offered to full-time employee with employee required contribution for self-only coverage equal to or less than 9.66% (for 2016) of mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s).

This code may be used to report for specific months for which a Qualifying Offer was made, even if the employee did not receive a qualifying offer for all 12 months of the calendar year. However, an employer may not use the alternative furnishing method for an employee who did not receive a qualifying offer for all 12 calendar months.

1B. Minimum essential coverage providing minimum value offered to employee only.

1C. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse).

1D. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to spouse (not dependent(s)). Do not use code 1D if the coverage for the spouse was offered conditionally. Instead use code 1J.

1E. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. Do not use code 1E if the coverage for the spouse was offered conditionally. Instead use code 1K.

1F. Minimum essential coverage NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents.

1G. Offer of coverage for at least one month of the calendar year to an individual who was not an employee for any month of the calendar year or to an employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.

Code 1G applies for the entire year or not at all. Therefore, if code 1G applies, an employer must enter code 1G on line 14 in the “All 12 Months” column or in each separate monthly box (for all 12 months).

1H. No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee).

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).

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***.

*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 employer may report a conditional offer to a spouse as an offer of coverage, regardless of whether the spouse meets the reasonable, objective condition.

**Form 1095-C Line 15:
Monthly Premium for Self-Only Minimum Value Coverage**

Line 15. Complete line 15 only if code 1B, 1C, 1D, or 1E is entered on line 14 either in the “All 12 Months” box or in any of the monthly boxes. Enter the amount of the employee share of the lowest cost monthly premium for individual minimum essential coverage providing minimum value which was *offered* to the employee.

For line 15, the amount entered might not equal the amount the employee is paying for the coverage. For example, if the employee chose to enroll in more expensive plan, or elects family coverage, their monthly premium will be higher than what is entered on line 15.

Enter the amount including any cents. If the employee is offered coverage but the employee required contribution is zero, enter “0.00” (do not leave blank). If the Employee Required Contribution was the same amount for all 12 calendar months, you may enter that monthly amount in the “All 12 Months” box and not complete the monthly boxes. If the Employee Required Contribution was not the same for all 12 months (for instance, if an employer has a non-calendar year plan and the employee share of the premium changes with the new plan year that starts in 2016), enter the amount in each calendar month for which the employee was offered minimum value coverage.

**Form 1095-C, Line 16:
Indicator Code Series 2 for Section 4980H Safe Harbor Codes and Other Relief for Employers**

Line 16. For each calendar month, enter the applicable code, if any, from Code Series 2. Enter only one code from Code Series 2 per calendar month. The instructions below address which code to use for a month if more than one code from Series 2 could apply. If the same code applies for all 12 calendar months, you may enter the code in the “All 12 Months” box and not complete the monthly boxes. If none of the codes apply for a calendar month, leave the line blank for that month.

An employer enters the applicable Code Series 2 indicator code, if any, on line 16 to report for one or more months of the calendar year that one of the following situations applied to the employee.

- The employee was not employed or was not a full-time employee;
- The employee enrolled in the minimum essential coverage offered;
- The employee was in a limited non-assessment period with respect to section 4980H(b);
- The employer met one of the section 4980H affordability safe harbors with respect to this employee; or
- The employer was eligible for multiemployer interim rule relief for this employee.

If no indicator code applies, leave line 16 blank. In some circumstances more than one indicator code could apply to the same employee in the same month. For example, an employee could be enrolled in health coverage for a particular month during which he or she is not a full-time employee. However, only one code may be used for a particular calendar month. For any month in which an employee enrolled in minimum essential coverage, in general, indicator code 2C reporting enrollment is used instead of any other indicator code that could also apply. For an employee who did not enroll in health coverage, there are some specific ordering rules for which code to use. See the descriptions of the codes.

2A. Employee not employed during the month

Enter code 2A if the employee was not employed on any day of the calendar month. Do not use code 2A for a month if the individual was an employee of the employer on any day of the calendar month. Do not use code 2A for the month during which an employee terminates employment with the employer.

2B. Employee not a full-time employee

Enter code 2B if the employee is not a full-time employee for the month and did not enroll in minimum essential coverage, if offered for the month. Enter code 2B also if the employee is a full-time employee for the month and

<p>whose offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month (so that the offer of coverage or coverage would have continued if the employee had not terminated employment during the month).</p>
<p>2C. Employee enrolled in health coverage offered</p> <p>Enter code 2C for any month in which the employee enrolled for each day of the month in health coverage offered by the employer, regardless of whether any other code in Code Series 2 might also apply (for example, the code for a section 4980H affordability safe harbor) except as provided below. Do not enter code 2C in line 16 for any month in which the multiemployer interim rule relief applies (enter code 2E). Do not enter code 2C in line 16 if code 1G is entered in line 14. Do not enter code 2C in line 16 for any month in which a terminated employee is enrolled in COBRA continuation coverage or other post-employment coverage (enter code 2A). Do not enter code 2C in line 16 for any month in which the employee enrolled in coverage that was not minimum essential coverage.</p>
<p>2D. Employee in a section 4980H(b) limited non-assessment period</p> <p>Enter code 2D for any month during which an employee is in a section 4980H(b) limited non-assessment period. If an employee is in an initial measurement period, enter code 2D for the month, and not code 2B (employee not a full-time employee). For an employee in a section 4980H(b) limited non-assessment period for whom the employer is also eligible for the multiemployer interim rule relief for the month, enter code 2E and not code 2D</p>
<p>2E. Multiemployer interim rule relief</p> <p>Enter code 2E for any month for which the multiemployer arrangement interim guidance applies for that employee, regardless of whether any other code in Code Series 2 (including code 2C) might also apply.</p> <p>NOTE: Although employers may use the section 4980H affordability safe harbors to determine affordability for purposes of the multiemployer interim guidance, an employer eligible for the relief provided in the multiemployer interim guidance for a month for an employee should enter code 2E and not codes 2F, 2G, or 2H.</p>
<p>2F. Section 4980H affordability Form W-2 safe harbor</p> <p>Enter code 2F if the employer used the section 4980H Form W-2 safe harbor to determine affordability for purposes of section 4980H(b) for this employee for the year. If an employer uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.</p>
<p>2G. Section 4980H affordability federal poverty line safe harbor</p> <p>Enter code 2G if the employer used the section 4980H federal poverty line safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).</p>
<p>2H. Section 4980H affordability rate of pay safe harbor</p> <p>Enter code 2H if the employer used the section 4980H rate of pay safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).</p> <p>NOTE: An affordability safe harbor code should not be entered on line 16 for any month that the employer did not offer minimum essential coverage to at least 95% of its full-time employees and their dependents (that is, any month for which the employer checked the “No” box on Form 1094-C, Part III, column (a)).</p>