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**2025 ACA Reporting
Under a Shifting
Compliance Landscape**

Webinar

October 2, 2025

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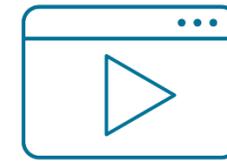
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Today's ACA Subject Matter Experts



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Agenda

- 1 Key IRS Changes and Legislative Updates
- 2 Employer Mandate Penalties - The Stakes are as High as Ever
- 3 State-Specific Reporting Mandates
- 4 ACA Year-End Season Best Practices

Key IRS Changes & Legislative Updates

Federal Government Shutdown & ACA Reporting



What Employers
Need to Know

- **Deadlines Remain the Same**
- **IRS Operations Delayed**
- **Employer Shared Responsibility Continues**
- **Keep Preparing**
- **Respond Timely**
- **Document & Monitor**



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2026 Updates

- IRS announces increased Penalty A and B amounts for Tax Year 2026
- For 2026, employers can use 2025 FPL until 2026 FPL is announced in early 2026
- Once 2026 FPL is announced, employers can adopt the 2026 rate or use the 2025 FPL for 6 months.
- W-2 Safe Harbor: cannot exceed 9.96% of the employee's W-2, Box 1 wages
- Rate of Pay Safe Harbor: 9.96% of an employee's hourly rate multiplied by 130 hours per month

New ACA Regulations — Big Picture for Employers

In December 2024, two new laws were enacted

- Employer Reporting Improvement Act (H.R. 3801)
- Paperwork Burden Reduction Act (H.R. 3797)

These laws ease Affordable Care Act (ACA) reporting burdens on Applicable Large Employers (ALEs).



Distribution of Forms 1095-C / 1095-B

What Changed?

- Employers and insurers no longer required to automatically furnish the 1095-C/1095-B to all employees each year.
- They must provide upon request, if they give a clear, conspicuous, accessible notice.

Why it Matters:

Reduces printing, mailing, and administrative expenses, leading to less employee confusion.



Electronic Delivery

What Changed?

- Forms can be furnished electronically with employee consent.
- Existing consent counts; employees may withdraw consent.

Why it Matters:

Easier, cheaper, faster delivery. Less paper and fewer manual processes.



TIN Flexibility

What Changed?

- Employers may use alternative identifiers (e.g., date of birth) when a Tax Identification Number (TIN) isn't available.

Why it Matters:

Helps when missing TINs, reduces IRS follow-ups and delays



Response Time for IRS Penalty Notices (Letter 226-J)

What Changed?

- Response time extended from 30 to at least 90 days after first IRS letter.



Why it Matters:

Provides certainty and limits long-term exposure to penalties.

Statute of Limitations on Penalty Assessments

What Changed?

- IRS now has a six-year statute of limitations for assessing employer mandate penalties, starting from ACA return due date.

Why it Matters:

Provides certainty and limits long-term exposure to penalties.





IMPACTS

of Increasing IRS Stringency

Employers should align records retention with the **SIX-YEAR** statute of limitations

Proper **documentation of consent** for electronic delivery is **required.**



CHANGES EFFECTIVE **DEC. 31,** DUE AFTER **2024**

Employers must still **file ACA reporting** with the IRS — this only changes distribution to individuals

EMPLOYERS MUST GIVE A **CLEAR, CONSPICUOUS, ACCESSIBLE NOTICE** THAT EMPLOYEES MAY REQUEST THE 1095 FORM.

Large Retailer

Retailer with 5,000+ employees, many part-time or seasonal.

What to Think Of

High costs of printing/ mailing forms

Communication channels for employees (some seasonal, some former)

Employee awareness of how to request forms

What Could Happen

Many employees won't request the form → reduced workload

A surge of requests right before tax time

Missed requests could cause employee frustration or IRS complaints

What You Need to Do

-  Post clear, conspicuous notice about availability of 1095 forms
-  Track and respond to requests within required time frame
-  Keep records showing requests were met on time

What Challenges You Could Face

Ensuring all workers (including seasonal/former) see the notice

Managing a last-minute flood of requests

Balancing cost savings with risk of compliance gaps

Medium-Sized Manufacturer (ALE)

150 employees, mix of hourly and office staff.

What to Think Of

Who has consented to electronic delivery

Which employees are likely to request the form

Accuracy of TINs in HR/benefits systems

What Could Happen

Fewer forms to distribute = lower workload

Some employees may withdraw consent or request paper forms

IRS may still follow up if data mismatches occur

What You Need to Do

-  Track electronic consent and allow opt-outs
-  Use alternative identifiers (DOB) when TIN is missing
-  Keep IRS filings consistent and accurate even if employees don't request forms

What Challenges You Could Face

Mismanaging electronic consent records

Employees not understanding new process, leading to confusion

System limitations in handling DOB vs. TIN identifiers

Employer Receives IRS Letter 226-J

Employer notified of a proposed ESRP penalty.

What to Think Of

Documentation needed to prove coverage offers

Coordination between HR, payroll, benefits, and legal teams

Response process within the 90-day window

What Could Happen

Employer may be able to prove no penalty is due

IRS could accept corrections or adjustments

Missed or weak response could still result in penalty assessment

What You Need to Do

-  **Develop a standard internal process for handling IRS letters**
-  **Use the extra 90 days wisely to collect data and prepare response**
-  **Involve legal counsel earlier in the process**

What Challenges You Could Face

Data gaps across systems (payroll vs. benefits)

Tight coordination needed across multiple departments

Risk of underestimating the time needed to assemble accurate records.

Employer Mandate Penalties

ACA Employer Shared Responsibility Penalties

Penalty A

a.k.a. "Sledgehammer" penalty

Monthly penalty for failure to offer Minimum Essential Coverage (MEC) to at least 95% of full-time employees and dependent children.

- ✔ **Calculation:** (All FT EEs - 30) x monthly penalty
- ✔ **2025 Penalty:** \$241.66/month (\$2,900/year)

Penalty B

a.k.a. "Tack Hammer" penalty

Monthly penalty for employers who met the 95% offer of coverage threshold, but whose coverage was unaffordable, or did not provide minimum value, or who missed offering coverage to certain employees.

- ✔ **Calculation:** # FT EEs receiving premium tax credits x monthly penalty
- ✔ **2025 Penalty:** \$362.50/month (\$4,350/year)

Penalty Trigger: At least one full-time employee receives a premium tax credit to help pay for coverage through a Marketplace.

See How Quickly Penalty A & Penalty B Can Grow

Penalties for an employer with 5,000 employees who was non-compliant for just 3 months.

Penalty A

$$\left(\begin{array}{c} 5,000 \\ \text{FT EEs} \end{array} - \begin{array}{c} 30 \\ \text{EEs} \end{array} \right) \times \left(\begin{array}{c} \$241.66 \\ \text{Penalty A} \end{array} \times \begin{array}{c} 3 \\ \text{months} \end{array} \right) = \text{First Quarter } \mathbf{\$3,603,150}$$

Penalty B

$$\left(\begin{array}{c} \$362.59 \\ \text{Penalty B} \end{array} \times \begin{array}{c} 3 \\ \text{months} \end{array} \right) \times \begin{array}{c} 100 \\ \text{FT employees who} \\ \text{received tax credit} \end{array} = \text{First Quarter } \mathbf{\$36,259}$$

Recommendation: If your C-Suite is not aware of the severity of this penalty risk, they should be informed.

workforce.equifax.com/aca-calculator

ACA Potential Penalty Calculator

Help stay on top of the ACA with best-in-class technology, ACA focused expertise and personalized support. Our team is here to assist you with your ACA reporting and help you reduce your exposure to penalties

Calculate ACA Potential Penalty Risk



Home / Tools and Calculators / ACA Calculator

ACA POTENTIAL PENALTY CALCULATOR

Help determine an estimate of your potential 2024 ACA Penalty Risk for not offering health insurance coverage, or offering coverage that is not affordable or minimum value, to your ACA full time employees

\$XX,XXX

This is how much our ACA Potential Penalty tool estimates your penalty risk could be.*

How many ACA full time employees do you have?

How many ACA full time employees did you offer minimum essential coverage to?

XXX%

Calculated 'Minimum Essential Coverage' Percentage*

2025 Penalties For Inaccurate or Late Forms

	Failure to <u>DISTRIBUTE</u> accurate forms to employees on time (\$6722)	Failure to <u>FILE</u> accurate forms to the IRS on time (\$6721)
1-30 days late	\$60 per form	\$60 per form
31 days late - Aug. 1	\$130 per form	\$130 per form
After Aug. 1	\$330 per form	\$330 per form
“Intentional Disregard”	\$660 per form	\$660 per form

For example, let’s look at an employer with **5,000 Forms 1095-C** who **distributed & filed inaccurate forms** with **no corrections until after August 1**.

Distribution & Filing Penalties

$$\left(5,000 \text{ Forms} \times \$330 \text{ Distribution Penalty} \right) + \left(5,000 \text{ Forms} \times \$330 \text{ Filing Penalty} \right) = \$3,300,000$$

State-Specific Reporting Mandates

State Reporting Requirements: Deadlines & Penalties



CALIFORNIA

Furnishment:

Tues., February 2, 2026

Filing:

Mon., June 1, 2026

Penalties:

\$50 per covered individual not filed on time to the state's Franchise Tax Board



MASSACHUSETTS

Furnishment:

Tues., February 2, 2026

Filing:

Tues., February 2, 2026

Penalties:

\$50 per form up to a maximum of \$50,000 for failure to distribute forms on time or file on time to the MA Department of Revenue



RHODE ISLAND

Furnishment:

Mon., March 2, 2026

Filing:

Tues., March 31, 2026

Penalties:

Reviewed on a case-by-case basis and addressed as facts & circumstances warrant



NEW JERSEY

Furnishment:

Mon., March 2, 2026

Filing:

Tues., March 31, 2026

Penalties:

\$50 per form not filed on time



DISTRICT OF COLUMBIA

Furnishment:

Mon., March 2, 2026

Filing:

Thurs., April 30, 2026

Penalties:

None announced so far

IMPORTANT REMINDERS:

- State healthcare reporting requirements are based on where employees LIVE, or with the District of Columbia (D.C.) where they live OR work.
- Both full and partial year residents of each state must be included in state healthcare reporting.

State Reporting Requirements: Forms & Filing Processes



CALIFORNIA

File requirements:

- XML format
- Less than 100mb
- Manifest file required

Forms required:

- 1094-C / 1095-C
- 1094-B / 1095-B

Testing required: Yes



MASSACHUSETTS

File requirements:

- XML format

Forms required:

- MA 1099-HC

Testing required: No



RHODE ISLAND

File requirements:

- XML format
- Less than 100mb
- Flat CSV or XLS file option

Forms required:

- 1094-C / 1095-C
- 1094-B / 1095-B

Testing required: No



NEW JERSEY

File requirements:

- XML format
- Less than 12mb
- Flat pipe-delimited TXT file option

Forms required:

- 1094-C / 1095-C
- 1094-B / 1095-B

Testing required: Yes



DISTRICT OF COLUMBIA

File requirements:

- Delimited TXT format
- Less than 250mb

Forms required:

- 1094-C / 1095-C
- 1094-B / 1095-B

Testing required: No

ACA Year-End Season: Being Prepared and Best Practices

DO YOU HAVE A COMPREHENSIVE STRATEGY TO HELP YOU MITIGATE INCREASING RISK?



i TIP: Have you reviewed your prior year ACA filings to help you identify invalid data, potential penalty risks, and compliance gaps?

- Ensure thorough & accurate documentation
- Conduct a comprehensive review of ACA processes
- Seek guidance from ACA experts for better informed decision-making
- Respond timely to all IRS notices and penalty letters
- Exercise your right to appeal & dispute penalties
- Leverage best-in-class technology to help you simplify your ACA management

IS YOUR ORGANIZATION READY TO MEET ITS' 2025 REPORTING REQUIREMENTS AND DEADLINES?



i We can help:
<https://workforce.equifax.com/solutions/aca-hq/aca-inspect>

Ensure that your ACA solution meets your needs:

- Have you prepared for all upcoming federal and state deadlines?
- Do you have accurate reporting for affordability and 1094/1095 data?
- Are penalty risks transparent and easy for you to rectify?
- How are you tracking eligibility and coverage offers?
- Are your benefit plan designs and affordability strategies in compliance across all employee types?
- Can you produce defensible responses to IRS 226-J penalty letters?

Navigating ACA Compliance

Monthly:

- 1 Monitor ACA eligibility decisions and trends
- 2 Review A & B penalty risks and take appropriate action to mitigate
- 3 Monitor data quality and regularly review Forms 1095 code data

Open Enrollment:

- 1 Eligibility monitoring (ongoing employees)
- 2 Affordability strategies for new benefits plan year
- 3 Annual required notices to employees

Year-End Reporting Season:

- 1 Calculate & validate accurate Forms 1094-C & 1095-C
- 2 Distribute timely & accurate forms to employees
- 3 File timely & accurately to the IRS
- 4 File timely & accurately to state agencies
- 5 Correct form errors & filing rejections

Q&A

ACA Season Best Practices



Ongoing

- Have a strategy for staying up to date on compliance & regulatory changes
- Subscribe to newsletters for updates: workforce.equifax.com/insights
- Partner with a vendor to take the burden of managing and monitoring ACA regulations
- Prepare for audits & review prior filings with: [ACA Inspect](#)TM

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Have More Questions? We're Here to Help.



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