

Preparing for the 2023 ACA Reporting Season

Best Practices for Helping
Reduce Stress & Better
Maximize Efficiency

October 25, 2023

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Thanks for joining our webinar



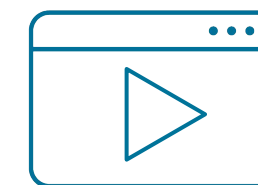
Welcome!

Thank you for joining our webinar. Stay tuned for more from Equifax Workforce Solutions!



Questions?

Please enter your questions in the chat box on your screen at any point during the presentation.



Recording

This webinar is being recorded. You will receive an email with a link to view the recording.



To keep our lawyers happy



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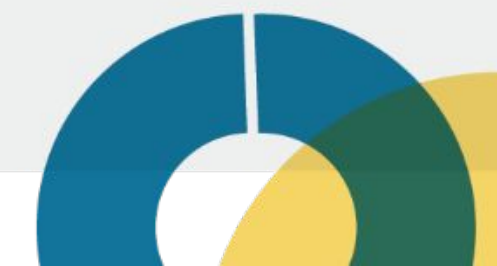


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Your ACA Subject Matter Experts Today



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Agenda

-  ACA Latest News & Hot Topics
-  Know Your State and Federal Deadlines
-  Understanding ACA Penalties
-  ACA Year End Reporting Readiness



ACA Latest News & Hot Topics

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2023 In Summary



Increased risks of federal penalties for employers

- Penalty A and B amounts continuing to rise
- Stringent IRS enforcement with lengthy penalty assessment delays
- **August 2023:** first IRS 226-J letters without 'Good Faith' protection
- Affordability threshold continues to decrease significantly
- Increasing scrutiny for late & inaccurate filings
- IRS mandatory e-filing threshold reduced to 10 forms



Court rulings & plan administration complexity

- Texas case challenging ACA preventive care requirements
- Current mandates remain in force during court appeals



Evolving state healthcare reporting requirements

- Changes to state vs. federal deadlines
- Inconsistency across coverage and reporting requirements
- Decreasing availability of MA 1099-HC reporting services



Latest SMB Employer Insights*

55% of leaders **rely on internet searches for information** about the ACA

50% have received an **ACA fine assessment**

11% are **unaware of State Mandates** for ACA

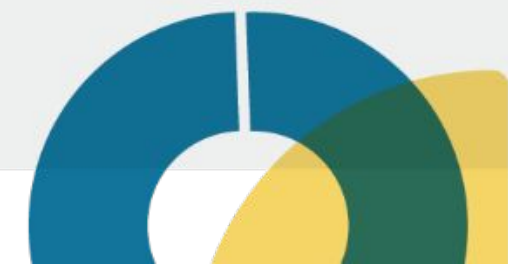
71% of those that have received fines agreed with the letter and **paid the fine**



Only 19% of those that have received penalties **disputed the fine**



**September 2023 YouGov survey of 206 HR Leaders or Finance Benefits/Decision Makers working in companies that employ 50-2,000 employees.*



Make This Reporting Season a Success

Prepare for increasing compliance challenges & penalty risks

- **IRS leniency is no longer available**
 - Expiration of 'Good Faith' transition relief
 - Stringent compliance enforcement moving forward
- **Significant penalty risks**
 - Inaccurate forms
 - Eligibility tracking mistakes
 - Late form distribution, filings, and error corrections
- **Increasing regulatory complexity**
 - Affordability challenges & penalty risks
 - Inconsistent state vs. federal requirements / deadlines

It's not too late to get help with your 2023 ACA reporting

Ensure that your ACA solution meets your needs:

- Are you able to meet all 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?
- Can you produce defensible responses to IRS 226-J penalty letters?

Get help now: There's no room for compromise with the ACA. Take advantage of Equifax's simplified ACA solution that allows you to implement quicker and have your Forms 1094/1095 ready to distribute to your employees, the IRS, and applicable states often within weeks, potentially even days.



Know Your State & Federal Deadlines

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PLAN AHEAD FOR:

- Federal vs. state deadlines
- Deadlines to distribute forms to employees
- Deadlines to file form data to each agency
- Leap year complexity



IRS

Furnishment:

Fri., March 1, 2024

Filing:






Mon., April 1, 2024

REMINDER

The deadline to furnish Forms 1095-B and C to individuals has been permanently extended by 30 days. Previously, this deadline had been January 31.



State-Level Healthcare Reporting

State	Furnishment	Filing
 CALIFORNIA	Furnishment: Wed., January 31, 2024	Filing: Fri., May 31, 2024
 MASSACHUSETTS	Furnishment: Wed., January 31, 2024	Filing: Wed., January 31, 2024
 RHODE ISLAND	Furnishment: TBD	Filing: Mon., April 1, 2024
 NEW JERSEY	Furnishment: Fri., March 1, 2024	Filing: Tue., April 2, 2024
 DISTRICT OF COLUMBIA	Furnishment: Fri., March 1, 2024	Filing: Tue., April 30, 2024

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.



Understanding ACA Penalties

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ACA Employer Shared Responsibility Penalties



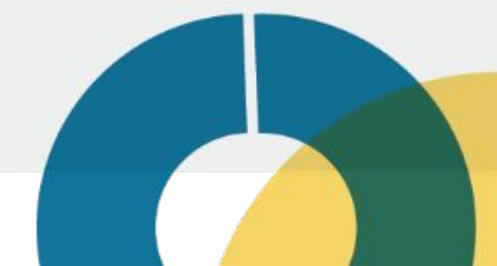
Penalty A

- §4980H(a) - a.k.a. the “sledgehammer” penalty
- Assessed to employers who do not offer minimum essential coverage to at least 95% of their full-time employees and dependent children.
- Calculated monthly across **all** full-time employees
- 2023 penalty: \$240 per month per FT employee, minus a 30 employee reduction



Penalty B

- §4980H(b) - a.k.a. the “tack hammer” penalty
- Assessed to employers who do not offer coverage or whose coverage is not affordable or does not provide minimum value.
- Calculated monthly for each full-time employee who receives subsidized coverage through the ACA marketplaces.
- Affordability is based on the annual affordability percentage threshold, calculated against one of the available safe harbors: Federal Poverty Level, Rate of Pay, or W-2 Box 1 wages
- 2023 penalty \$360 per month per FT employee
- 2023 affordability threshold: 9.12%



Penalty A and Penalty B Increasing Risks for 2024

2024 updated penalty amounts:

Penalty A: \$247.50 per month per full-time employee (\$2,970 per year)

Penalty B: \$371.67 per month per full-time employee (\$4,460 per year)

2024 updated affordability threshold:

8.39%

August 2023:

First IRS 226-J Penalty letters from the 2021 tax year

What could this mean?

- Increased penalty risks for non-compliance
- No 'Good Faith' leniency for inaccurate data in IRS 226-J letter responses
- Significant decrease in the affordability threshold = increased risks of Penalty B assessments - **plan ahead during Open Enrollment!**
- Sample 2024 penalty assessments:
 - Penalty A: for a company with 10,000 full-time employees, this could cost up to **\$2.47M* per month**
 - Penalty B: for a company with 10,000 full-time employees, this could cost up to **\$75,000* per month**

**Estimated. Depending on FTE counts and ACA regulations, penalty assessments may vary*



Potential Penalty Calculator


With increasing penalty risks and IRS scrutiny, plan ahead for your organization's potential Penalty A and B exposure

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](#) / [ACA Calculator](#)

ACA POTENTIAL PENALTY CALCULATOR

Help determine an estimate of your potential **2022 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

How many ACA full time employees do you have?

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

How many of those offers of coverage were not affordable and/or met minimum value?

\$13,667,500

The following is your potential ACA penalty risk, should you not be offering medical coverage to 95% of your FTE employees:

90%

Calculated 'Minimum Essential Coverage' Percentage*

[Calculate 2023](#)

*Potential penalties are only an estimate, and this estimate does not guarantee that this amount or any amount of ACA penalties will actually be incurred.



Penalties for Inaccurate or Late Forms

FEDERAL PENALTIES:

Failure to distribute accurate forms to employees on time (§6722):

- Between 1-30 days late: **\$60 per form**
- Between 31 days late - Aug. 1: **\$120 per form**
- After Aug. 1: **\$310 per form**
- If due to “intentional disregard”: **\$630 per form**

FEDERAL PENALTIES:

Failure to file accurate forms to the IRS on time (§6721):

- Between 1-30 days late: **\$60 per form**
- Between 31 days late - Aug. 1: **\$120 per form**
- After Aug. 1: **\$310 per form**
- If due to “intentional disregard”: **\$630 per form**

STATE PENALTIES:

- **California:** \$50 per covered individual not filed on time to the state’s Franchise Tax Board
- **Massachusetts:** \$50 per form up to a maximum of \$50,000 for forms not distributed on time to employees or filed on time to the state’s Department of Revenue
- **New Jersey:** \$50 per form
- **Rhode Island:** Reviewed on a case-by-case basis and addressed as facts & circumstances warrant



ACA Year End Reporting Readiness

5 Key Work Streams Your Team Can
Plan Ahead For



Plan Ahead to Help Reduce Stress & Better Maximize Efficiency



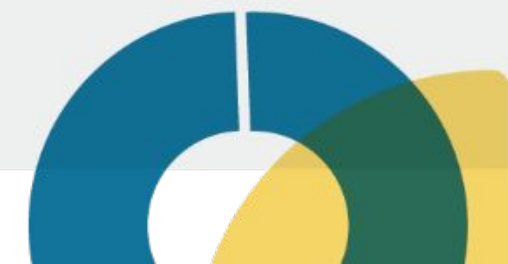
Calculating & Validating Forms 1094-C & 1095-C

Distributing Forms to Employees

Filing to the IRS

Filing to State Agencies

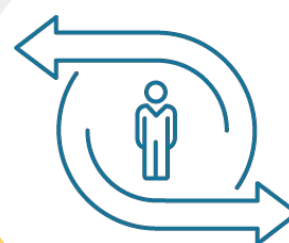
Correcting Form Errors



Calculating & Validating Forms 1094-C & 1095-C



Be mindful of nuances in affordability safe harbor calculations



Monitor benefit plan rules that complicate affordability determinations



Address common data inaccuracies



Calculating & Validating Forms 1094-C and 1095-C

SOME BEST PRACTICES FOR REVIEWING YOUR DATA

Watch out for data that could increase your Penalty A risks

Review your 1095-C Lines 14 and 16 codes for possible Penalty B risks

Check eligibility & affordability calculations for employees with complex scenarios



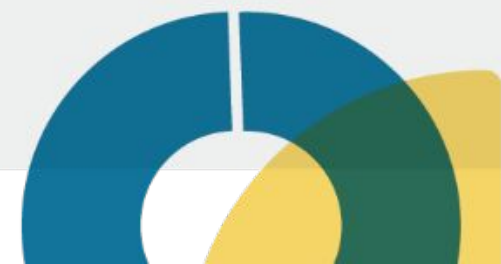
Distributing Forms to Employees

Key considerations:

- Does your ACA solution include the ability to distribute forms electronically to employees?
- Have you communicated with your employees?
- Do your HR administrators have access to download additional copies of 1095-C?
- What is your strategy for distributing forms to terminated employees?
- Does your form fulfillment solution provide the right security?
- What contact phone number are you displaying to employees in Line 10 of Form 1095-C & how will you handle employee inquiries?
- For state healthcare reporting, are you prepared to provide Massachusetts employees with their MA 1099-HC form in addition to their federal 1095-C form?



** Be proactive to avoid employee confusion now that the IRS has permanently extended the annual ACA form distribution deadline*



Filing to the IRS

NEW FOR THE 2023 TAX YEAR

- Electronic filing to the IRS is now mandatory for all organizations with 10 or more forms to file.
- This threshold is based on the TOTAL aggregated forms to be filed.
- Previously, e-filing was only mandatory for organizations with at least 250 forms to file for each separate type of return.

IRS filing best practices:

- ✓ Avoid risks of filing rejections
- ✓ Report accurate Aggregated ALE Group details in Form 1094-C Part IV
- ✓ Only file one “Authoritative Transmittal” for each FEIN
- ✓ Check frequently for IRS status updates
- ✓ Address any rejected filings quickly - these have a 60-day deadline to resolve

Source: [IRS.gov](https://www.irs.gov)



Filing to State Agencies

Key tips for self-filing or verifying the scope of your filing service provider:

- Beware of different file size limits, formats, and naming conventions for each state
- Plan ahead for state-specific processes
- Coordinate carefully with your health insurance carriers and benefits TPAs
- Ensure that both full- and part-time residents are included in each state filing



Source: [IRS.gov](https://www.irs.gov)



Correcting Form Errors



BEST PRACTICE PRIOR TO IRS FILINGS: To reduce the likelihood of needing to file corrections, employers should distribute forms to employees, allow time for questions, and then fix any inaccurate data **BEFORE** filing to the IRS.

TIPS FOR SUBMITTING CORRECTED FILINGS

- Common causes of IRS filing status 'Accepted with Errors':
 - Incorrect SSNs or Names on Forms 1095-C
 - Incorrect FEINs or ALE Names in Form 1094-C Part IV
- Document all outreaches to impacted employees
- Handling missing or invalid 1095-C forms:
 - Transmit any new forms separately from corrected forms
 - There is no IRS option to 'void' a form that was filed in error
- Corrected forms must be:
 - Re-distributed to employees
 - Re-filed to the IRS
 - Re-filed to each applicable state

TIPS FOR HANDLING REJECTED FILINGS

- Most common cause of IRS rejections: incorrect FEINs or ALE Names
- Re-file all rejections as a 'Replacement'
- Rejected ORIGINAL filings: must resolve within 60 days
- Rejected CORRECTED filings: resolve quickly to ensure accurate filings

Source: [IRS.gov](https://www.irs.gov)



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Q&A

Next Steps



1 SURVEY

Complete the survey through the webinar console



2 CONTACT

Want to talk to someone about your ACA processes? Click on the “Want to Get In Touch” button on your webinar console or contact us at:

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