



5 Steps to Smoother 2023 ACA Reporting



For HR professionals, the end of a calendar year means Affordable Care Act (ACA) reporting season and the pressure of doing it right that comes along with it. Complying with ACA reporting obligations can be complex, confusing, and time consuming, especially as new rules and regulations come into play.



On top of the complexity, the assessments that the Internal Revenue Service (IRS) is conducting are increasing. And the penalties are real. "Good faith relief" is a thing of the past, so the Internal Revenue Service (IRS) might be less likely to look at an incorrect filing and let it go, thinking, "They didn't mean to do this, we'll just ignore it." Because of this, it is always a good idea to stay on top of your responsibilities under the law in order to help your business avoid unnecessary ACA risk and potential IRS penalties.

To review, two main ACA penalties you hope to avoid are:

Penalty A

- 4980H(a) - also known as 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, minus the first 30
- 2023 penalty: \$240 per month per full-time employee

Penalty B

- 4980H(b) - also known as the “tackhammer” penalty
- Assessed to employers who do not offer coverage, 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 Limit, Rate of Pay, or W-2 Box 1 wages
- 2023 penalty: \$360 per month per full-time employee
- 2023 affordability threshold: 9.12%



To increase confidence in your company's ACA compliance efforts in light of these penalties, consider the following action items to help your 2023 ACA reporting run more smoothly:

1. Verify Your Data Is Accurate and Up-To-Date

To help minimize stress and better maximize efficiency and success, it's important for HR teams to not only be aware of reporting deadlines, extensions, and penalties, but to also focus on data integrity to help avoid common errors.

One challenge is that, oftentimes, updating information for ACA reporting purposes falls off the priority list for many HR teams. This can result in data that's fragmented, missing, and/or confusing. Utilize your resources to confirm the data coming into your ACA system is accurate, payroll information is not missing, and that updates are happening to help you avoid potential fine risks. Human Resource Information Systems (HRIS) are a wonderful advancement for HR management. However, the data they generate is only as good as the information entered.

Key data points include:

- Employees' legal name
- Social Security number
- Date of birth
- Address
- Employment periods
- Service hours
- Rate of pay
- Employee classification
- Work location
- Health benefits measurement and eligibility periods

An annual internal ACA data audit can help you ensure vital data points are accurate. Inaccurate data can result in potential issues including incorrect forms and form codes. Regular internal audits can allow HR teams to help identify problems and often quickly correct them.

2. Calculate Codes and Validate Forms 1094-C and 1095-C

Confirming your data is accurate and clean is only half the battle. You also need to ensure you are populating forms to accurately reflect the types of insurance coverage you are offering and to whom the offers were made, according to rules laid out in the ACA reporting instructions. Form code accuracy is essential, you want to make sure the codes in lines 14 and 16, as well as the values in lines 15 are accurate. Your data needs to accurately display:

- Whether or not an offer was of minimum value
- Who coverage was offered to and if there were any special conditions
- Whether the person was determined full-time at the time the offer was made
- If an offer of coverage was not made, if any of the allowable line 16 safe harbors apply

It is important to validate all of your data before your ACA reports are submitted. Double and triple check that worked and credited hours are counted accurately. To reduce the likelihood of form inaccuracy and needing to file corrections, we recommend you distribute forms to employees, allow time for questions, and then fix any inaccurate data BEFORE filing to the IRS.

Why accuracy matters, now more than ever.

For several years the IRS showed leniency against penalties if employers reported incomplete or incorrect information provided the employer could prove they made a “good faith effort” to comply. However, beginning in reporting year 2021, the IRS announced the end of “good faith relief.” The end of this grace period is an added incentive for Applicable Large Employers (ALEs) to ensure timeliness and accuracy in reporting.

3. Stay on Top of IRS Filing Rules, Deadlines, and Penalties

Requirements around the ACA are seemingly ever-changing and keeping up to date can be a challenge. Be sure to have a process to monitor changes and stay aware of deadlines and regulations.

NEW Electronic Filing Rules for Smaller Businesses

While you were in the midst of filing returns this year, the IRS made a change that could have a big impact on how you file information returns in 2024. In an effort to modernize its return-filing process and work towards the elimination of paper filing, 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, i.e., across all Forms W-2, 1099, 1095, tax returns, etc. Previously, e-filing was only mandatory for organizations with at least 250 forms to file for each separate type of return.



Federal Filing Deadlines

For calendar year 2023, Forms 1094-C and 1095-C are required to be filed by February 28, 2024, if filing on paper, or April 1, 2024, if filing electronically. An ALE member must furnish a Form 1095-C to each of its full-time employees by March 1, 2024, for the 2023 calendar year.

Federal Penalties for Inaccurate or Late Forms

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

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

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

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



4. Identify and Adhere to State Laws and Deadlines

After Congress eliminated federal individual mandates under the ACA, several states have implemented their own individual mandates. State-based mandates can offer new challenges and complexity for employers. Where you once had a single mandate to follow, you are now required to adhere to each state-based mandate where your employees reside. Not adhering to these rules can lead to potentially costly tax penalties, reporting errors, and misconceptions, so it's vital that you not only stay current with IRS rules, but also stay ahead of state updates and requirements.

IMPORTANT REMINDERS:

- State healthcare reporting requirements are based on where employees LIVE.
- Both full and partial year residents of each state must be included in state healthcare reporting.
- Beware of different file size limits, formats, and filing submission processes for each state.



Plan Ahead for State-Specific Processes and Deadlines:

- California: mandatory e-filing threshold of 250+ forms, lengthy and complex testing process for e-filers
- New Jersey: mandatory managed file transfer (MFT) filing process for 50+ forms, alternative fillable PDF option for less than 50 forms
- Rhode Island: individual files must be sent via manual web upload (no bulk-filing or credentialed logins available)
- District of Columbia: pipe-delimited text files instead of XML
- Massachusetts: does not accept federal forms, unique XML file requirements for Forms MA 1099-HC, additional Health Insurance Responsibility Disclosure (HIRD) form submissions required annually

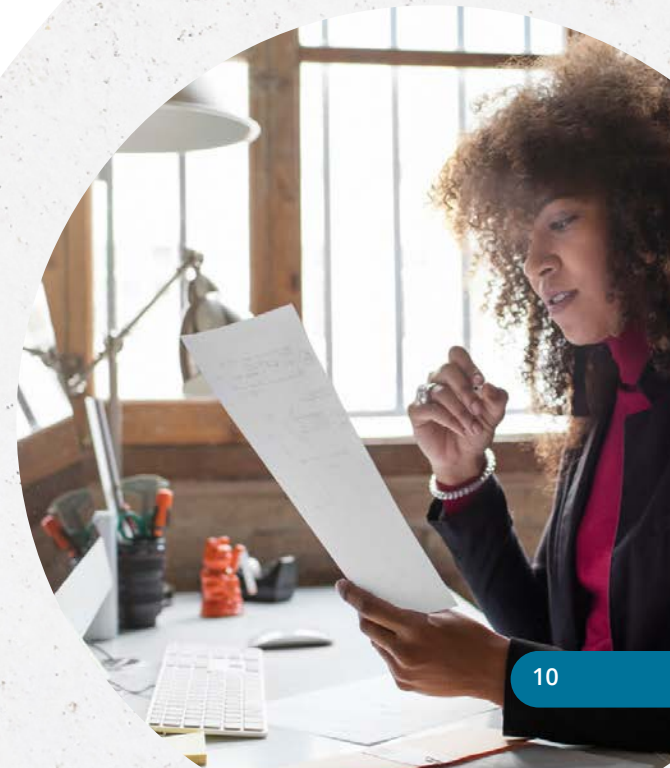
State	Requirements	Deadline
CA	Individual delivery: Form 1095	January 31
	State filing: Form 1094 and 1095 to the CA Franchise Tax Board	May 31
DC	Individual delivery: Form 1095	March 2 (follows IRS furnishment deadline)
	State filing: Form 1095 to The District's Office of Tax and Revenue	May 1 (30 days after IRS deadline, including any extensions)
MA	Individual delivery: MA 1099-HC Form	January 31
	State Filing: 1099-HC Form data - create and submit the XML file to Mass Tax Connect system	January 31
NJ	Individual delivery: Form 1095	March 2
	State filing: Form 1094 and 1095 to the NJ Department of Treasury	March 31
RI	Individual delivery: Form 1095	March 2
	State filing: Form 1095 to the RI Division of Taxation	March 31

Above details are subject to change

5. Follow a Consistent and Repeatable Process

To stay on the right track for a smooth season of 2023 ACA reporting and beyond, make sure you already have (or put in place) a solution to make these steps repeatable, and be prepared to file corrections, if necessary.

- Make sure you have the right resources to stay on top of changing ACA regulations.
- Share as much information as possible with your accounts payable, finance, and/or tax departments about the ACA reporting process.
- Be sure to have rock-solid process documentation established and shared across departments so that you can readily review data and provide timely submissions and corrections to the IRS.
- Document everything in case of needing that detail down the line and always be nimble. The ACA will continue to change year over year so you have to be able to adapt.





ACA employer reporting requirements have grown in complexity and can change each year. Failure to meet ACA guidelines or properly complete your IRS forms could expose your company to penalties that increase the longer you remain outside of ACA guidelines.

We hope these steps help put you on the right track for a smooth season of 2023 ACA reporting. When your organization needs a better way to manage the complexities of these requirements, we're here to help. [Learn how we can help you solve your ACA management challenges.](#)

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