



Workforce
Solutions

2024 ACA Reporting Roadmap: IRS and State-Specific Mandates



WEBINAR

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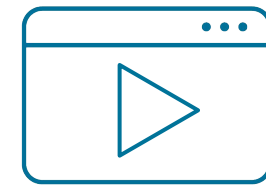
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Your ACA Subject Matter Experts Today



Elizabeth Collins

Solutions Engineer, ACA
Equifax Workforce Solutions



Christy Abend

Product Leader, Active Employment
Equifax Workforce Solutions

Agenda

- 1 Key IRS Changes and Legislative Updates
- 2 The Affordability Challenge & Employee Benefits Cost Management Strategies
- 3 Employer Mandate Penalties - The Stakes are as High as Ever
- 4 State-Specific Reporting Mandates
- 5 ACA Year-End Season Best Practices

Key IRS Changes & Legislative Updates

2024 In Summary

- **Feb. 2024:** IRS announces decreased Penalty A and B amounts for Tax Year 2025
- **April 1, 2024:** 1st mandatory IRS e-filing deadline for most small employers
- **April - June 2024:** IRS public comment period on ACA reporting requirements
- **Sept. 2024:** Updated 9.02% affordability threshold announced for 2025
- **Oct. 2024:** Increased penalties announced for inaccurate & late forms in Tax Year 2025
- **ONGOING:**
 - First full year of IRS 226-J penalty letters with no protection under good-faith transition relief
 - Continued uncertainty and evolution of preventive care coverage mandates with ongoing court challenges
 - Renewed political focus on healthcare legislation with 2024 election cycle

Impacts of Increasing IRS Stringency

How We Got Here

- **Tax Years 2015 - 2020:** Transitional “Good Faith Relief” period for ACA reporting requirements
- **Dec. 2019:** IRS confirms no statute of limitations on ACA employer mandate penalties under §4980H
- **Effective Jan. 1, 2021:** IRS eliminates all good faith effort protections
- **Fall 2023:** IRS begins issuing 226-J penalty letters for Tax Year 2021
- **Sept. 2024:** IRS quarterly priority update re-confirms that ACA employer mandate penalties under §4980H continue to be a top priority for additional guidance and regulatory oversight



Impacts of Increasing IRS Stringency

Key Impacts

- Increased penalty risks under §6721 & §6722
- Increased penalty risks under §4980H
- Growing industry concerns around ACA compliance strategy gaps & lack of audit preparedness
- **Aug. 2024 employer insights*:**
 - **47%** are unaware that the IRS is 2+ years behind on ACA penalty assessments
 - Only **17%** are actively planning for ACA throughout the year and nearly **60%** wait to work on ACA until Q4 each year
 - **84%** would like to do a detailed (audit) analysis on their prior year ACA filings



* Source: YouGov Survey

Getting Prepared This ACA Reporting Season

Do you have a comprehensive strategy to help you mitigate increasing penalty risks?

- 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

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

We can help:

<https://workforce.equifax.com/solutions/aca-hq/aca-inspect>

Is your organization ready to meet its 2024 reporting requirements & deadlines?

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?

The Affordability Challenge & Employee Benefits Cost Management Strategies

ACA Affordability Basics

“Minimum Value” Standard:

- Cover at least 60% of total allowed cost of benefits expected to be incurred
- Provide substantial coverage of inpatient hospitalization & physician services


Affordability Requirements:

- Based on lowest-cost self-only coverage option
- Employee required contribution cannot exceed 9.5% (as adjusted) of household income

Safe Harbor Options For Employers:

- Federal Poverty Limit
- W-2 wages
- Rate of pay

Understanding the Affordability Challenge



| Year | Affordability % | "Affordable" Monthly Premium Example * | Year | Affordability % | "Affordable" Monthly Premium Example * |
|------|-----------------|--|------|-----------------|--|
| 2014 | 9.5% | \$185.25 | 2020 | 9.78% | \$190.71 |
| 2015 | 9.56% | \$186.42 | 2021 | 9.83% | \$191.68 |
| 2016 | 9.66% | \$188.37 | 2022 | 9.61% | \$187.39 |
| 2017 | 9.69% | \$188.95 | 2023 | 9.12% | \$177.84 |
| 2018 | 9.56% | \$186.42 | 2024 | 8.39% | \$163.60 |
| 2019 | 9.86% | \$192.27 | 2025 | 9.02% | \$175.89 |

*Examples based on an employer using the Rate of Pay affordability safe harbor for an employee making \$15.00/hour.

Trends in Employee Benefits Strategies & Cost Management

Eligibility & premium cost share design options

- Spousal conditional offers - 1095-C codes 1K, 1J
- Affordability & 1095-C reporting impacts:
- Wellness credits vs. tobacco surcharges
- Flex credits & HRA contributions
- Opt out credits

Transitioning from fully-insured to self-funded

- Minimum Essential Coverage (MEC) reporting (Form 1095-C, Part III)
- State mandate reporting responsibilities

Consumer Driven Health Plans (CDHPs) / High Deductible Health Plans (HDHPs)

- Embedded individual out of pocket maximums
- Preventive services considerations (with new updates Oct. 2024 - [IRS Notice 2024-75](#))

Trends in Employee Benefits Strategies & Cost Management

Expanded voluntary benefits & employee perks/discounts

- Potential impacts to W-2 Cost of Health Coverage reporting
- Ensuring plan designs qualify as “excepted benefits” under the ACA

MEC-only “skinny” plans

- Protection against Penalty A, with exposure to Penalty B
- 1095-C offer code 1F

Flexible & remote work arrangements

- Eligibility hours of service tracking challenges
- State mandate reporting requirements based on residency

Individual Coverage Health Reimbursement Arrangements (ICHRAs)

- 1095-C offer codes 1L - 1U, Age & Zip Code reporting
- Affordability based on lowest cost silver-tier plans
- Self-insured reporting requirements

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
- 2024 Penalty: \$247.50/month (\$2,970/year)

Penalty B

a.k.a. "Tackhammer" 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
- 2024 Penalty: \$371.67/month (\$4,460/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

For example, let's look at an employer with 5,000 employees who was non-compliant for just 3 months.

Penalty A

$$\left(\begin{array}{l} 5,000 \\ \text{FT EEs} \end{array} - \begin{array}{l} 30 \\ \text{EEs} \end{array} \right) \times \left(\begin{array}{l} \$247.50 \\ \text{Penalty A} \end{array} \times \begin{array}{l} 3 \\ \text{months} \end{array} \right) = \text{First Quarter } \$3,690,225$$

Penalty B

$$\left(\begin{array}{l} \$371.67 \\ \text{Penalty B} \end{array} \times \begin{array}{l} 3 \\ \text{months} \end{array} \right) \times \begin{array}{l} 100 \\ \text{FT employees who} \\ \text{received tax credit} \end{array} = \text{First Quarter } \$111,501$$

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 / 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

\$13,667,500

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

How many ACA full time employees do you have?

5000

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

4500

90%

Calculated 'Minimum Essential Coverage' Percentage*

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

0

Calculate 2023

2024 Penalties For Inaccurate or Late Forms

| | Failure to DISTRIBUTE accurate forms to employees on time (\$6722) | Failure to FILE 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 |

Source: <https://www.irs.gov/payments/information-return-penalties>






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

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

State-Specific Reporting Mandates

State Reporting Requirements: Deadlines & Penalties

| State | Furnishment: | Filing: | Penalties: |
|--|------------------------|------------------------|---|
|  CALIFORNIA | Fri., January 31, 2025 | Mon., June 2, 2025 | \$50 per covered individual not filed on time to the state's Franchise Tax Board |
|  MASSACHUSETTS | Fri., January 31, 2025 | Fri., January 31, 2025 | \$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 | Mon., March 3, 2025 | Mon., March 31, 2025 | Reviewed on a case-by-case basis and addressed as facts & circumstances warrant |
|  NEW JERSEY | Mon., March 3, 2025 | Mon., March 31, 2025 | \$50 per form not filed on time |
|  DISTRICT OF COLUMBIA | Mon., March 3, 2025 | Wed., April 30, 2025 | 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

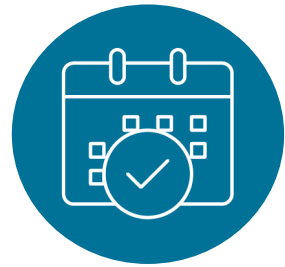
Forms required:

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

Testing required: No

ACA Year-End Season Best Practices

Comprehensive ACA Management Tips



Monthly

- Eligibility monitoring (new hires)
- Review A & B penalty risks
- Monitor data quality



Open Enrollment

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



Year-End Reporting Season

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

Comprehensive ACA Management Tips



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: <https://workforce.equifax.com/solutions/aca-hq/aca-inspect>

Data Review Best Practices

Calculating & Validating Forms 1094-C & 1095-C



Carefully review your affordability safe harbor calculations

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

Address common data inaccuracies

Form Distribution Best Practices

Distributing Forms to Employees



Communicate to employees on electronic consent & delivery

Confirm 1095-C employer contact information

Prioritize security in all processes (form access, printing/mailing, SSN masking, etc.)

Prepare to meet different state vs. federal deadlines

Filing Best Practices

Filing to the IRS & State Agencies



Validate all FEINs and employer details

Confirm all Aggregated ALE Group details

Check filing statuses frequently

Resolve all IRS filing rejections within 60 days

Beware of different file format & size requirements for IRS vs. states

Coordinate carefully with health insurance carriers and benefits TPAs

Corrections Best Practices

Correcting Form Errors



Document all outreaches to impacted employees & dependents for SSN/Name/DOB errors

Redistribute all corrected forms to employees

Refile all corrected forms to both the IRS and to each state agency

Transmit any missed original forms separately from corrected forms

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Q&A

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