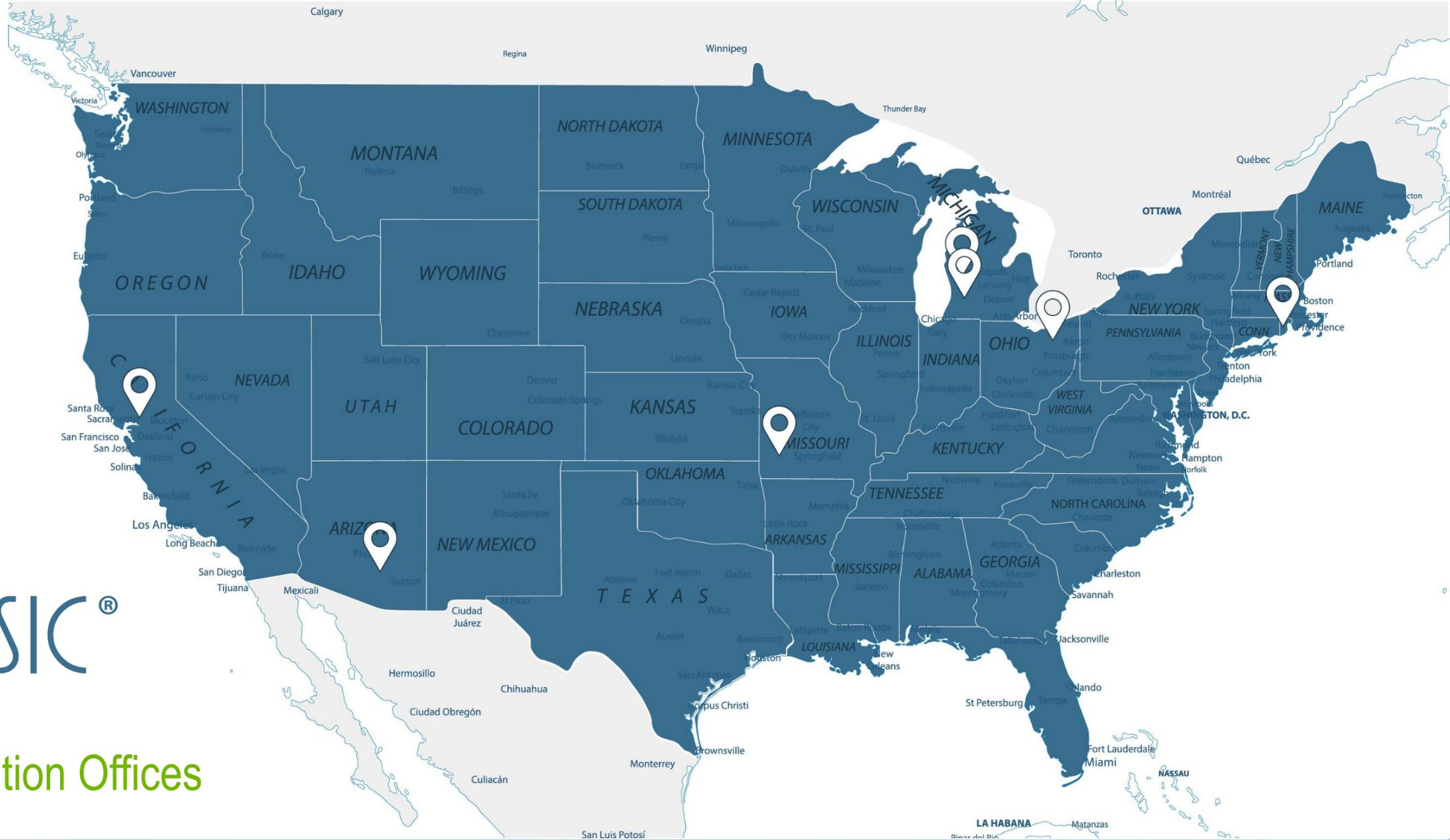




ACA COMPLIANCE FILING 2019



BASIC is a Technology Driven HR Compliance Company



Administration Offices



BASIC family of companies includes;

- BASIC pacific
- BASIC NEO
- BASIC New England

Technology Driven HR Solutions to Take Your Company Further

Suite of HR Benefits, Payroll and Leave Management, and Compliance solutions offered individually or bundled.



HR Solutions should be simple. **Keep it BASIC.**

➤ Presenter



Joe Aitchison, SPHR, SHRM-SCP, CHRS - BASIC Senior Vice President

Joe provides Business & HR client advisory services and HR outsource services nationally. He is a Human Resource professional with over twenty-five years business management and HR consulting experience. He has worked individual and multi plant manufacturing, retail, food processing, health care, legal administration and professional services.

Mr. Aitchison is recognized as a leader in human resources and has obtained a lifetime certification as a senior professional in human resource management, SHRM – Senior Certified Professional and Healthcare Reform Specialist by the Healthcare Reform Center & Policy Institute. Mr. Aitchison serves on several for profit and not for profit boards.

➤ Agenda

- ✓ What's New / Changed
- ✓ Common Employer Mistakes
- ✓ IRS 226J Letter - Employee goes to the Exchange
- ✓ ESRP Penalty Assessment
- ✓ We didn't report... Soooo what happens... IRS 5699 Letter
- ✓ What's important for Payroll

➤ What's New and What's Not

2019 Deadline for Deliver

	2017 Reporting	2018 Reporting	2019 Reporting
IRS 1095-C FURNISHING due to employees	March 2, 2018	March 4, 2019	January 31, 2020 March 2, 2020
IRS 1094-C & 1095-C manual filing due to IRS	February 28, 2018	February 28, 2019	February 28, 2020
IRS 1094-C & 1095-C Electronic filing due to IRS (>250 Returns)	April 2, 2018	April 1, 2019	March 31, 2020

➤ Transition Relief – Good Faith

6721 & 6722 “Good Faith Effort” Transition Relief for 2019

IRS Notice: 2018-94 (also in preceding years)

- 2018 - The IRS extended “good faith transition relief” for the 2018 reporting year.
 - The IRS is not penalizing employers for incorrect or incomplete 1095-C and 1094-C forms, as long as they were able to prove that a “good faith” effort was made to comply with the ACA requirements.

➤ What's New

Individual Fed Mandates (Penalties) 2019 and Going Forward

- In the past if you went without Affordable Care Act (ACA) compliant health insurance for more than two months, you would have to pay a significant tax penalty.
- **The 2018 Penalty** for going without health insurance was \$695 per uninsured adult or 2.5% of your income, whichever amount was higher.
- **2019 - The Federal Individual Mandate has been repealed** - there is no tax penalty at the federal level. Original Purpose of the Employee 1095-C / B forms was to validate health benefit coverage.

State Mandates Currently In Place

<u>State</u>	<u>Effective Year</u>
California	2020
District of Columbia	2019
Massachusetts	2007
New Jersey	2019
Rhode Island	2020
Vermont	2020

➤ Affordability Changes

- Employers need to confirm that the employee premium portion for self only coverage is affordable.

- 2019 affordability percentage is 9.78%
- Box “1” of W-2 Wages – (2F)
- 130 hours x Hourly Rate of Pay (at time starting the current plan year) – (2H)
- Federal Poverty - (1A)

ACA FPL Maximum Employee Cost share for self-only coverage

Calendar Year	* Prior Year FPL Jan / Feb~Dec	Affordability Percentage	January 1 Plan Start Maximum Monthly Contribution	Feb 1 - Dec 1 Plan Start Maximum Monthly Contribution
2020	\$12,490	9.78%	101.79	TBD
2019	\$12,140 / \$12,490	9.86%	99.75	102.62
2018	\$12,060 / \$12,140	9.56%	\$96.08	\$96.71
2017	\$11,880 / \$12,060	9.69%	\$95.93	\$97.38
2016	\$11,770 / \$11,880	9.66%	\$94.75	\$95.63
2015	\$11,670 / \$11,770	9.56%	\$92.97	\$93.77
Source: Internal Revenue Service Data/Information				

* Mainland Federal Poverty Level - single person

Calculation for 2020 use 9.78% as the applicable multiplier as permitted by Treasury Notice 2019-29

➤ Common Employer Mistakes

1. **Provide affordable coverage** that meets minimum essential coverage / minimum value (MEC / MV) to all full-time eligible employees
 - Employers often don't understand how to determine affordable coverage
2. **Manage employees by class of employees**
 - Who is Full Time
 - Who is Part Time
 - Who is a Seasonal Employee?
 - Difference between Seasonal "Employee" / Seasonal "Worker"
 - Variable Hour Employees
3. **Actively manage employee eligibility** for the entire calendar year
4. **Timely offer Affordable MEC/MV Health Benefits to full time employees** (working 30 or more hours weekly)

➤ Common Employer Mistakes

Draft Form

Form **1094-C** Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns CORRECTED

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1094C for instructions and the latest information.

OMB No. 1545-2251

2019

Part I Applicable Large Employer Member (ALE Member)

1 Name of ALE Member (Employer) 2 Employer identification number (EIN)
Don't use DBA - Use Employer Name as found on the SS-4 Form

3 Street address (including room or suite no.)

4 City or town 5 State or province 6 Country and ZIP or foreign postal code

7 Name of person to contact 8 Contact telephone number

9 Name of Designated Government Entity (only if applicable) 10 Employer identification number (EIN)

11 Street address (including room or suite no.)

12 City or town 13 State or province 14 Country and ZIP or foreign postal code

15 Name of person to contact 16 Contact telephone number

For Official Use Only

17 Reserved

18 Total number of Forms 1095-C submitted with this transmittal

19 Is this the authoritative transmittal for this ALE Member? If "Yes," check the box and continue. If "No," see instructions

Part II ALE Member Information

20 Total number of Forms 1095-C filed by and/or on behalf of ALE Member 1000

21 Is ALE Member a member of an Aggregated ALE Group? Yes No
If "No," do not complete Part IV.

22 Certifications of Eligibility (select all that apply):

A. Qualifying Offer Method B. Reserved C. Reserved D. 98% Offer Method

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature Title Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 61571A Form **1094-C** (2019)

Common Employer Mistakes Part I

Employer Information

- Don't Use DBA

Part II

Common Mistakes

➤ Common Employer Mistakes

Draft Form

Form 1044-C (2018)		Part III ALE Member Information – Monthly					Page 2
		(a) Minimum Essential Coverage Offer Indicator		(b) Section 4980H Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Reserved
		Yes	No				
23	All 12 Months	<input checked="" type="checkbox"/>	<input type="checkbox"/>			<input checked="" type="checkbox"/>	
24	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25	Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
30	July	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
31	Aug	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
32	Sept	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
33	Oct	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
34	Nov	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
35	Dec	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Common Employer Mistakes Part III

Employer Information

- **How to count employees –** Why PR records need to be maintained w/ hire & term dates – (Full Time / Part Time status)

➤ Common Employer Mistakes

Part IV Other ALE Members of Aggregated ALE Group			
Enter the names and EINs of Other ALE Members of the Aggregated ALE Group (who were members at any time during the calendar year).			
Name	EIN	Name	EIN
36		51	
37		52	
38		53	
39		54	
40		55	
41		56	
42		57	
43		58	
44		59	
45		60	
46		61	
47		62	
48		63	
49		64	
50		65	

Common Employer Mistakes

Part IV ALE Member Information

- Common Ownership Rules Apply
 - 80% Common Ownership
 - Includes family members (brother, sister, spouse, parent, etc.)
- List ALE with highest number of employees first
- List all ALE members

➤ Common Employer Mistakes

1095-C Employer-Provided Health Insurance Offer and Coverage
 Form Department of the Treasury Internal Revenue Service
 Do not attach to your tax return. Keep for your records.
 Go to www.irs.gov/Form1095C for instructions and the latest information.

VOID
 CORRECTED
 OMB No. 1545-0047
2019

Part I Employee **Applicable Large Employer Member (Employer)**

1 Name of employee (first name, middle initial, last name) 2 Social security number (SSN) 7 Name of employer 8 Employer identification number (EIN)
 3 Street address (including apartment no.) 9 Street address (including room or suite no.) 10 Contact telephone number
 4 City or town 5 State or province 6 County and ZIP or foreign postal code 11 City or town 12 State or province 13 County and ZIP or foreign postal code

Part II Employee Offer of Coverage **Plan Start Month (enter 2-digit number):**

14 Offer of Coverage (enter required code)	Plan Start Month (enter 2-digit number):												
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Self-Help and Other Plans (enter code, if applicable)													

Part III Covered Individuals
 If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee.

	(a) Name of covered individual(s) First name, middle initial, last name	(b) SSN or other TIN	(c) COB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Common Employer Mistakes

Employee Information

- Not using Employee's Formal Name

Line 14 Common Miscoding

Line 15 Common Mistakes

Line 16 Common Miscoding

➤ ACA 1095-C Coding

Form 1095-C: Line 14 – Code Series 1		
Code	What Does the Code Mean?	When Should I Use the Code?
1A	You made a Qualifying Offer : You offered Minimum Essential Coverage (MEC) with Minimum Value (MV) to the employee (EE). The offer is affordable because it's < or = to 9.5% of the single, mainland federal poverty line. You offered MEC to spouse + dependents.	<ul style="list-style-type: none"> You offer coverage to EEs, spouses and children. You offer MEC providing MV. Your coverage is affordable at the employee-only level because it's < or = to 9.5% of the single, mainland federal poverty line.
1B	You only offer coverage to EEs. The coverage is MEC and provides MV.	<ul style="list-style-type: none"> You exclude spouses + children from your plan.
1C	You offer coverage to EEs that is MEC and MV and offer MEC to EEs children. Spouses are not offered coverage.	<ul style="list-style-type: none"> You exclude spouses from your plan.
1D	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses. Children are not offered coverage.	<ul style="list-style-type: none"> You exclude children from your plan.
1E	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses and children	<ul style="list-style-type: none"> The only difference between this code and 1A is that your coverage may not be affordable OR it is affordable based on a safe harbor other than the federal poverty line.
1F	You offer MEC to the EE or EE + spouse and/or dependents but the coverage does not provide MV.	<ul style="list-style-type: none"> Your coverage does not provide MV.
1G	You offer self-insured coverage to an employee who was not full time at any point in the year.	<ul style="list-style-type: none"> You offer a self-insured plan. Non-<u>full-time</u> employees are eligible for your plan. The employee was enrolled in the plan, for this month.
1H	You made no offer of coverage (or one that didn't provide MEC for the EE).	<ul style="list-style-type: none"> The EE was not yet hired. The EE was in a limited non-assessment period. The EE was otherwise ineligible for coverage. Your offer of coverage was not MEC. Your offer of coverage was not for an entire <u>month</u>. The employee terminated and you offered COBRA.
1I	Qualifying Offer Transition Relief 2015: You did not offer EE + spouse or children coverage, OR you offered non qualifying coverage, OR the qualifying offer was for less than 12 months.	<ul style="list-style-type: none"> You made a qualifying offer for one or more months of 2015 to at least 95% of your <u>full-time</u> employees (not counting those in a LNAP). This EE did not receive a qualifying offer for this month.

Form 1095-C: Line 16 – Code Series 2		
Code	What Does the Code Mean?	When Should I Use the Code?
2A	You did not employ this person during the month.	<ul style="list-style-type: none"> The employee (EE) is not yet hired. The EE is no longer employed.
2B	The EE was not full time (FT) for this month.	<ul style="list-style-type: none"> The EE is part time. The EE is seasonal or variable hour. The EE is in a measurement period and his/her FT status is not yet established. (See Code 2D)
2C	The EE enrolled in the coverage you offered.	<ul style="list-style-type: none"> The EE accepts and enrolls in your offer of coverage. If you have an option between 2C and another code, use 2C.
2D	The EE was in a Limited Non-assessment Period (LNAP) for the month.	<ul style="list-style-type: none"> The EE is in a waiting period under the Monthly or Look-Back measurement method. The EE is in an initial measurement period under the Look-Back method. The EE is in the first calendar month of employment and did not start on the first day of the month. It is your first year as an applicable large employer (ALE). The EE has a change in status during his/her initial look-back measurement period.
2E	You are eligible for the multiemployer interim relief rule.	<ul style="list-style-type: none"> Some portion of your workforce is eligible for a multiemployer (union) plan. You make an ongoing contribution to the plan on behalf of union EEs.
2F	The coverage you offered is affordable based on the Form W-2 safe harbor.	<ul style="list-style-type: none"> Coverage is affordable for this EE based on the W-2 safe harbor method. You used the W-2 safe harbor for every month that the EE is offered coverage.
2G	The coverage you offered is affordable based on the Federal Poverty Line safe harbor.	<ul style="list-style-type: none"> Coverage is affordable to this EE based on the federal poverty line safe harbor method.
2H	The coverage you offered is affordable based on the Rate of Pay safe harbor.	<ul style="list-style-type: none"> Coverage is affordable to this EE based on the rate of pay safe harbor method.
2I	RESERVED	<ul style="list-style-type: none"> RESERVED

➤ ALE Determination / FTE Count

ALE - FTE Calculation

- An employee with 130 or more hours per month is considered FT for the month for purposes of determining whether an offer of coverage is required.
- An employee with 120 hours or more per month is considered FT for the month for purposes of determining ALE status.
- The hours of all employees with less than 120 hours per month are added and then divided by 120 to determine the total FTEs for purposes of determining ALE status.

ALE Calculation

- Add each month's total FT and FTE counts for all 12 months in the preceding tax year and divide by 12. Round down to get your ALE status.
- If the result is 50FT/FTE or greater, then you are an ALE.

➤ The Payroll Challenges

- Maintain current employee addresses on file
- Understand that the SSN verification system for ACA reporting is **“not the same”** as it is for Payroll (More restrictive – Less forgiving)
 - Employee Name
 - As it appears on the SS Card should be used for payroll purposes (potential rejection, especially for foreign nationals)
- Maintain “accurate” Hire & Termination Dates as part of EE payroll record
 - Inactive employee status does not transition over to ACA filing
- Maintain Employee Status Information Uniformly
 - Full time / Part Time / Seasonal Worker / Seasonal Employee / Variable Hour Employee
 - Change employee status as applicable on payroll records – **by date of event**
- Uniformly cross reference job titles with Employee Status or Classes:
 - Examples: Manager FT / Manager PT; Hrly. Maintenance FT or PT
 - Define part-time as less than 30 hours weekly...

➤ From the Employer Side

So, an employee goes to the Exchange – What happens next?

- 1. IRS is doing random reviews / audits of past employer filings**
 - Started with 2015 and now reviewing 2016 & 2017 Filings
 - Will start in 2020 reviewing 2018
 - If captured during an IRS internal review – inaccuracies in employer 1094-C may trigger a review of the State Exchange Data files (for employees who opted for Health benefits from the exchange and received a subsidy)
- 2. Employees who went to the exchange and received a subsidy indicated the employer did not make them an affordable offer of coverage**
 - Was the employee full time or part-time?
- 3. Did the employer file a 1094-C w/ 1095-C forms?**
 - If FT, then there is a possibility the employer will receive an IRS penalty notice
 - So how does the IRS know if I was supposed to file a 1094-C or not?
 - They don't know for sure but gather data from employees who seek coverage from Fed/State Exchanges

Also, Employer federal business tax records and state payroll records are clear indicators on the “estimated” number of employees working for an employer.

➤ Employer Shared Responsibility Payment (ESRP)

ESRP Notices | ACA
What happens if.....



➤ Employer Shared Responsibility Provisions

ALEs must

Offer **Affordable** Minimum Essential Coverage (MEC) health coverage providing Value to their full-time (FT) employees and at least Minimum Essential Coverage to their dependents

Or

Potentially be subject to an employer shared responsibility payment

Liability exists if employer (ALE):

(a) Penalty: Employer does not offer coverage to at least 95% of FT employees (and their dependents) and at least one FT employee receives a premium tax credit (PTC) $\$214.91 (M) / 2,578.92 (A) \times (\text{all FTE} - 30) \sim 2020 \text{ Rate}$

or

(b) Penalty: Employer does offer to 95% of FT employees (and their dependents), but at least one FT employee receives a PTC from the Marketplace (Exchange) – 2020 (b) amount $\sim \$321.66 (M) / 3,859.92(A)$ per EE that receives a subsidy from the Exchange

Reason for an individual PTC:

- not offered
- unaffordable, or
- did not provide minimum value

➤ IRS Enforcement of Pay or Play Penalty – Letter 226J

- ALEs must

Offer **Affordable** Minimum Essential Coverage (MEC) health coverage providing Value to their full-time (FT) employees and at least Minimum Essential Coverage to their dependents

OR

Potentially be subject to an employer shared responsibility payment

- Liability exists if employer (ALE):

- (a) **Penalty:** Employer does not offer coverage to at least 95% of FT employees (and their dependents) and at least one FT employee receives a premium tax credit (PTC) $\$214.91 (M) / 2,578.92 (A) / Xs \text{ all FTE} - 30) \sim 2020 \text{ Rate}$

OR

- (a) **Penalty:** Employer does offer to 95% of FT employees (and their dependents), but at least one FT employee receives a PTC from the Marketplace (Exchange) – 2020 (b) amount $\sim \$321.66 (M) / 3,859.92(A)$ per EE that receives a subsidy from the Exchange

Reason for an individual PTC:

- not offered
- unaffordable, or
- did not provide minimum value

➤ IRS Enforcement of Pay or Play Penalty – Letter 226J

- In most cases, the employers who are receiving the *notices appear to have inaccurately completed their IRS Form 1094-C form regarding whether or not the employer offered coverage to an individual employee or at least 95% of its full-time employees

* Initial Tax penalty notices sent to employers are “inquiries” and not an actual penalty \$\$\$

➤ IRS Enforcement of Pay or Play Penalty – Letter 226J

- The IRS notice will list one or more employees who went to the exchange and received a premium tax credit, triggering the penalty
- If the “**a**” penalty does not apply, the employer can still be subject to the “**b**” penalty for each full-time employee who was not offered affordable, minimum value coverage and who received a premium tax credit

➤ ESRP Assessment and Payment

- **IRS will send the Employer an inquiry notice**
- IRS will check to see if the employer filed a 1094-C Form for that Year (*2015 & 2016 is what they are checking now*)
- **A 226J Letter** - Notice w/ “**Proposed**” Penalty Amount will be sent to the employer
 - Employer has 30 days to respond (can be extended an additional 30 days)
- **Form 14764** - Opportunity to agree, reduce penalty or state no penalty due & to identify an authorized representative to contact IRS
 - Optional – Form 2848 POA (can be used but not necessary to respond to the 226J Notice)
- **Form 14765** - Lists Employees who went to the exchange & received a subsidy

Note: If Employer fails to respond to the 226J Letter / Notice the IRS will

- Send a reminder notice allowing 15 days to respond
- Assess the **(a)** or **(b)** penalty – based on the information provided on the filed 1094-C form

➤ 5699 Letters Reporting Penalties

- IRS can assess **\$270 penalty per return** for late, incomplete or incorrect forms
- IRS can assess another **\$270 penalty** for failure to provide a 1095 form to employees
- IRS granted relief for incomplete or incorrect returns for prior years if good faith effort
- IRS has not indicated if it will extend good faith relief to 2019 reporting (due in first quarter of 2020)

➤ ESRP Assessment and Payment

Dear Employer,

We have made a preliminary calculation of the Employer Shared Responsibility Payment (ESRP) that you owe.

Proposed ESRP **\$2,678,000.00**

Our records show that you filed one or more Forms 1095-C, Employer-Provided Health Insurance Offer and Election, and one or more Forms 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Election. Our records also show that for one or more months of the year at least one of the full-time employees was certified as being allowed the premium tax credit (PTC) on his or her individual income tax return information. We are proposing that you owe an ESRP for one or more months of the year.

You generally owe an ESRP for a month if either:

- You did not offer minimum essential coverage (MEC) to at least 70% of your full-time employees and at least one of your full-time employees was certified as being allowed the premium tax credit (PTC) on his or her individual income tax return information.

ESRP Summary Table

Month	Information Reported to IRS					f. Applicable IRC Section 49801 provision	g. Monthly ESRP amount
	a. Form 1094-C, Part III, Col (a) Minimum essential coverage offer indicator offered to at least 70%	b. Form 1094-C, Part III, Col (b) Full-time employee count for ALE member	c. Allocated reduction of full-time employee count for IRC Section 49801(a)	d. Count of assessable full-time employees with a PTC for IRC Section 49801(a)	e. Count of assessable full-time employees with a PTC for IRC Section 49801(b)		
Jan	No	1,575	30	5	-	49801(a)	\$ 267,800.00
Feb	No	1,575	30	17	-	49801(a)	\$ 267,800.00
March	No	1,575	30	18	-	49801(a)	\$ 267,800.00
Apr	No	1,575	30	13	-	49801(a)	\$ 267,800.00
May	No	1,575	30	7	-	49801(a)	\$ 267,800.00
June	No	1,575	30	5	-	49801(a)	\$ 267,800.00
July	No	1,575	30	2	-	49801(a)	\$ 267,800.00
Aug	No	1,575	30	1	-	49801(a)	\$ 267,800.00
Sep	No	1,575	30	1	-	49801(a)	\$ 267,800.00
Oct	No	1,575	30	1	-	49801(a)	\$ 267,800.00
Nov	No	1,575	30	-	-		\$ -
Dec	No	1,575	30	-	-		\$ -
Total Proposed ESRP							\$ 2,678,000.00

Letter 226J (10-2017)
Catalog Number 67905G

➤ ESRP Assessment and Payment

Indicate Your Agreement or Disagreement		
Agreement with proposed assessment		
<input type="checkbox"/> I consent to the assessment and collection of the proposed assessment of the ESRP in the amount of \$2,678,000.00.		
Signature	Date	
Print name and title of the person who signed above		
Partial/Total disagreement with proposed assessment		
<input type="checkbox"/> I disagree with part or all of the proposed assessment of the ESRP		
Indicate Your Payment Option <i>(Check all that apply)</i>		
<input type="checkbox"/> Full payment using EFTPS on _____		
<input type="checkbox"/> Partial payment using EFTPS on _____		
<input type="checkbox"/> Enclosed full payment of \$2,678,000.00		
<input type="checkbox"/> Enclosed partial payment of \$ _____		
<input type="checkbox"/> No payment		
<ul style="list-style-type: none">• Write your employer ID number 20-5219209, the tax year 2015 and ESRP on your payment and any correspondence.• Make your check or money order payable to the United States Treasury.		
Catalog Number 68861Z	www.irs.gov	Form 14764 (4-2017)

➤ IRS 5699 Letter / 5698 Follow-up Letter

What happens if I did not file a 1094-C in past years (2015, 2016, 2017 and now 2018)

➤ Am I in IRS Trouble? **Answer:** Maybe Yes / Maybe no (right now)

IRS is doing random review of employers – Based on number of W-2 issued to determine if there should be a 1094-C on file for that employer for the year (currently reviewing 2016 & 2017) – will start reviewing 2018 in 2020.

OR

An employee went to the exchange and obtained coverage and possibly a subsidy: telling the exchange that you (the employer) did not offer them affordable health benefits.

➤ The IRS is checking individuals who went to an exchange and received a subsidy – back checking their employer filings to determine if a 1094-C was filed for that year. (In this case, the IRS is checking 2016 & 2017 and will start reviewing 2018 in 2020)

What happens next: IRS issues a 5699 “Inquiry” Letter to the Employer – if the employer does not respond to the 5699 Letter, a follow up IRS letter (5698) will be sent. If the employer fails to respond to this letter, the next step is..... a CP220J “penalty notice” is sent requiring payment of the penalty.

➤ IRS 5699 Letter


Department of the Treasury
Internal Revenue Service
 1973 North Rulon White Boulevard
 Ogden, UT 84201-0062

Date: August 22, 2018
Taxpayer ID number: 27-340251
Tax year: 2016
Person to contact: 48601 Response Unit
Contact ID number: 15699
Contact telephone number: 877-671-4712
Contact e-tax number: 877-992-2723



Dear Employer:

Our records show you may have been an Applicable Large Employer (ALE) in 2016 and therefore required to file certain information returns for 2016. We haven't received those returns for the taxpayer ID number shown at the top of this letter.

Internal Revenue Code (IRC) Section 6056 requires employers that are ALEs to file information returns with the IRS and provide statements to their full-time employees relating to the health insurance coverage, if any, the employer offered its full-time employees. ALEs meet these reporting requirements using Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return, and Form 1095-C, Employer-Provided Health Insurance Offer and Coverage.

How to know if you're required to file

In general, an employer is an ALE for a year (and thus subject to the reporting requirements) if it had an average of 50 or more full-time employees (including full-time equivalent employees) during the preceding calendar year. For this purpose, there are specific definitions of full-time employee and full-time equivalent employee, exceptions for certain seasonal workers and employees with TRICARE or Veterans Administration health coverage, and specific rules for employers that are members of an aggregated group under IRC §§ 414(b), (c), (m) or (o). For more information on these rules and other information about how to determine if you were an ALE in 2016, visit the ACA Information Center for Applicable Large Employers (ALEs) at www.irs.gov, keyword "ALEs."

Employers required to file at least 250 Forms 1095-C generally must file electronically. Other employers may file either electronically or on paper. You can find the 2016 Forms 1094-C and 1095-C and Instructions for Forms 1094-C and 1095-C, which includes information on how to file returns with the IRS, at www.irs.gov (at the top of the screen select "Forms & Pubs," under the "Browse" heading choose "List of Prior Year Forms & Pubs" and in the "Find" box enter "1094-C" or "1095-C," as applicable).

Letter 5699 (Rev. 6-2018)
Catalog Number 6636P

What you must do

Check the box below that applies and mail your response to us to the address shown at the top of this letter within 30 days from the date of this letter.

I was an ALE for calendar year 2016 and already filed Form 1094-C and Forms 1095-C with the IRS using the following name _____ and employer identification number (EIN) _____ on date _____.

I was an ALE for calendar year 2016 and have included my Form 1094-C and Forms 1095-C with this letter. (Do not use this box if you are required to file electronically.) (Explain reasons for late filing below under "Other")

I was an ALE for calendar year 2016 and **will file my Form 1094-C and Forms 1095-C with the IRS** using the following name _____ and EIN _____ by date _____ (If more than 90 days from the date of this letter, explain below under "Other") (Explain reasons for late filing below under "Other")

I was not an ALE for calendar year 2016. Explain reasons below under "Other".

Other (Indicate below or attach a statement explaining why you haven't filed the required returns and any actions you plan to take.)

Senior management was not aware that the 1094-C was not completed - We have contracted with a 3rd party to completed they filing within the next 90 days.

If you're required to file and furnish information returns under IRC Section 6056, failure to do so may result in the assessment of penalties under IRC Section 6721 for failure to file and IRC Section 6722 for failure to furnish information returns.

When responding to this letter, please include your contact information, including a daytime telephone number and the best hours to reach you.

If you have questions, please use the contact information at the top of the first page of this letter.

Sincerely,

Shan Montoya
Operation Manager

Letter 5699 (Rev. 6-2018)
Catalog Number 6636P

➤ 5698 IRS Follow-up Letter

 Department of Treasury
Internal Revenue Service
1973 North Rulon White Boulevard
Odgen, UT 84201-0062

Date:
9/13/2018
Taxpayer ID number (last 4 digits):
XX-XXXX743
Tax year:
2016
Person to contact:
49801 Response Unit
Employee ID number:
Letter 5699
Contact telephone number:
877-571-4712
Contact e-fax number:
877-792-3723

Dear [REDACTED]

We haven't received your response to our Letter 5699, Missing Information Return Form 1094/1095-C, which we sent on Jul 12, 2018. We need your response so we know how to correctly proceed.

Please complete the section under "What you must do" on the enclosed copy of Letter 5699, and return it to us within 30 days from the date of this letter. When you respond, include a name and telephone number of the person we can contact if we have questions about your response.

If you're required to file and furnish information returns and statements under Internal Revenue Code (IRC) Section 6056, failure to do so may result in the assessment of penalties under IRC Section 6721 for failure to file information returns and Section 6722 for failure to furnish information statements.

Please use the contact information above if you have questions.

Thank you for your cooperation.

Sincerely,

Shan Montoya
Operation Manager

Enclosure:
Letter 5699

Letter 5698 (Rev. 8-2018)
Catalog Number 68365E

➤ CP220J IRS Penalty Notice



Department of the Treasury
Internal Revenue Service
Group 2219
4900 Fairway Road Suite 410
Florence, KY 41042

Notice CP220J

Tax period December 31, 2015

Notice date October 15, 2018

Employer ID number [REDACTED]

To contact us Phone 1-800-829-0115

Page 1 of 4

030176.753051.451065.15555 2 AD 0.408 1171

[REDACTED]

We charged you an employer shared responsibility payment (ESRP)

Amount due: \$174,720.00

We charged you an (ESRP) for the tax period ended December 31, 2015, because in one or more months one of the following occurred:

- You didn't offer Minimum Essential Coverage (MEC) to at least 70% (after 2015 95%) of your full-time employees (and their dependents) and at least one full-time employee received the Premium Tax Credit (PTC).
- You offered MEC to at least 70% (after 2015 95%) of your full-time employees (and their dependents), but at least one full-time employee received the PTC.

To avoid interest charges, pay the amount due by October 29, 2018.

Billing summary

ESRP amount	\$174,720.00
Amount due by October 29, 2018	\$174,720.00

Continued on back...



Notice CP220J

Notice date October 15, 2018

Employer ID number [REDACTED]

Payment

- Make your check or money order payable to the United States Treasury.
- Write your Employer ID number (36-4231505), the tax period (December 31, 2015), and "ESRP" on your payment and any correspondence.

INTERNAL REVENUE SERVICE
OIGDEN, UT 84201-0039

Amount due by
October 29, 2018

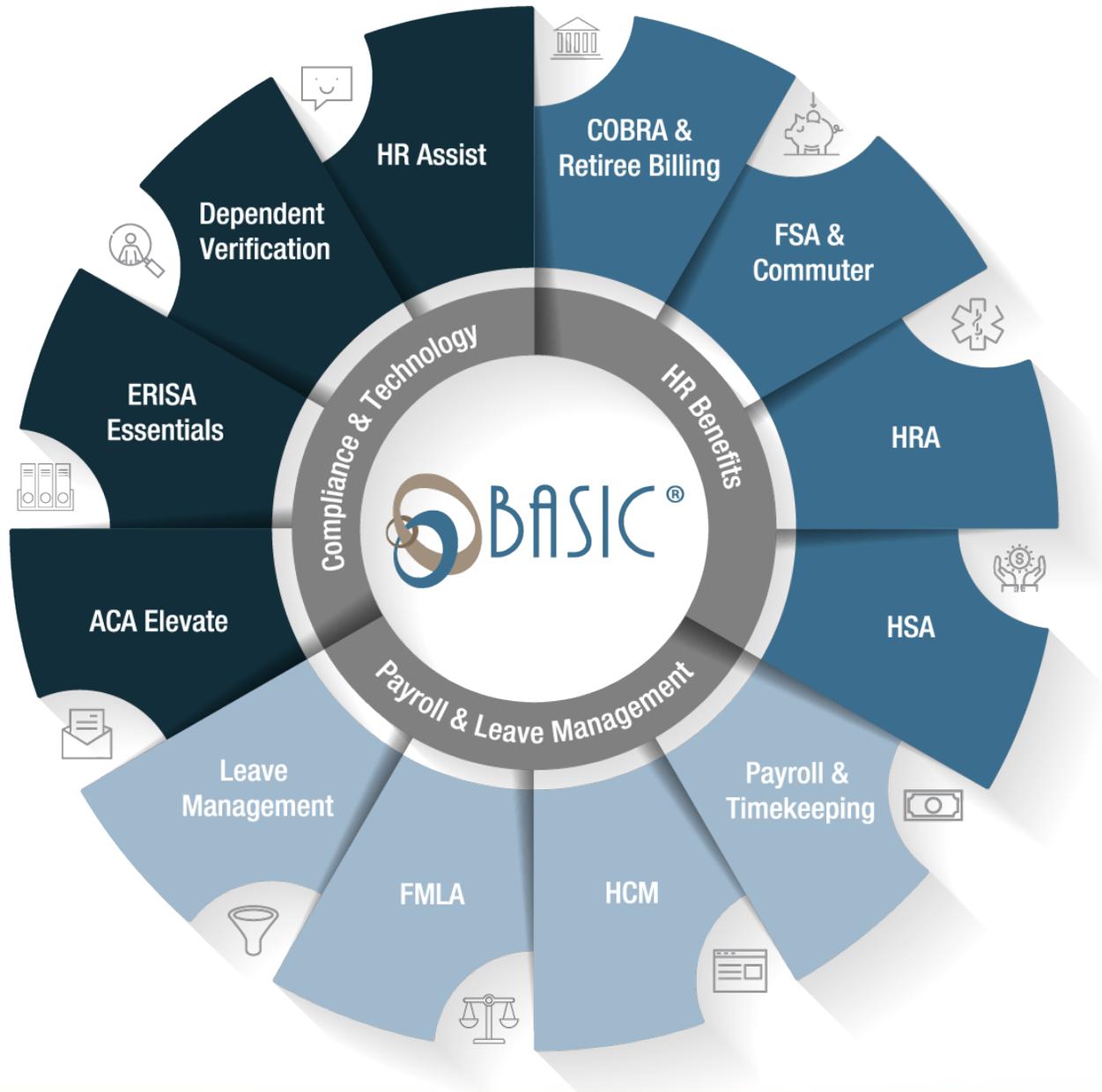
\$174,720.00

[REDACTED]

364231505 PJ R0HR 43 2 201512 470 0000000000

THANK YOU





Request a Proposal

For you or your client at this link:

<https://www.basiconline.com/request-a-proposal/>

BASIC Sales
888-602-2742

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