

Form 1095-C Code Series 1 and 2

For ACA 2015 reporting going forward Code § 6056 and Code § 6055 have added two employer-reporting requirements to the Internal Revenue Code (Code).

- Code § 6056 requires applicable large employers (ALEs) to provide an annualized statement at year end to each full-time equivalent employee detailing the employer's health coverage offer or non-offer of coverage, even if the Employee did not choose to participate.
- Code § 6055 requires all employers (ALE and Non-ALE) that provide minimum essential coverage (MEC) under a self-funded plan to provide an annualized statement at year end to covered active and terminated employees, including information about covered dependents.

The IRS additionally issued Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, to assist ALEs in meeting the reporting requirement under Code § 6056. If the employer's plans are self-funded, the employer also will use the same form, Form 1095-C, to meet the additional requirement under Code § 6055.

The IRS has created two lines on the 1095 form with unique codes in order to provide employers with continuity describing their offers of health coverage and a third line to show cost of the coverage offered in dollars and cents. The unique codes specify different scenarios regarding an offer of coverage, or clarifies why an employer should not be subject to a penalty for a particular employee, for a given month.

- Line 14 of Form 1095-C or Code Series 1
 - Displays if employee was offered coverage.
 - Shows whether coverage offered was MEC and MEV or Affordable.
 - Presents which months that coverage was offered.
 - This line is required to have a code for each month or in the "All 12 Months" box.
**The iSolved system uses eligibility rules to determine if an employee was offered coverage. If the employee was eligible for a plan(s), the system will code it as being offered to the employee on this line.
- Line 15 of Form 1095-C
 - Shows lowest cost "Employee Only" monthly coverage offered to employee.
 - Only populates if lowest cost monthly amount offered is above a certain percentage of the Federal Poverty Line (FPL) as established by the IRS. Both the percentage and the Federal Poverty Line amount change from year to year.
 - This line is not required. However, it is in your company's best interest to populate for the appropriate months if the amount offered is above the percentage of the FPL for the reporting year.
**The iSolved system will leave this line blank if used in conjunction with a 1A code in line 14. The IRS does not want to see an amount in this line if it is below the percentage of the FPL that the IRS has established for that reporting year.
**The system will have an amount listed in this line if used in conjunction with codes 1B-1E in line 14.

- Line 16 of Form 1095-C or Code Series 2
 - Addresses whether the individual was employed during the month and, if so, whether he or she was full time or part time.
 - States whether the employee was enrolled in coverage. Again, it is not necessary to show waived plans.
 - Affirms whether the employer is eligible for transition relief as an employer with a non-calendar year plan or as a contributor to a union health plan.
 - Acknowledges if coverage was affordable or not and, if so, based on which IRS safe harbor.
 - This line is optional, it is not required by the IRS. However, if you or the system have placed codes 1B-1E in line 14, it is in your company's best interest to see if one of the 2 series codes will work here.

**If the iSolved system calculates a code 1A in line 14, then this line will be blank. The single, only exception to this is if the employee enrolled in a coverage offered to them. In that case, the system will populate a 2C code in this line to show the employee enrolled in an offered medical plan, however it is not necessary.

**If the system leaves this line blank and has calculated a code of 1B-1E in line 14, we caution you to double check the amount of the offer to the employee. The combination of codes 1B-1E in line 14 and a blank line 16 is telling the IRS that you offered MEC and MV coverage to the employee that was *not* affordable. IRS penalty letters for the employer may be calculated because of this.

We have compiled a list that provides an overview of the codes with an explanation of when the code should be used. It also clarifies what the effects of choosing a particular code may be.

Please note that the full list of codes and descriptions, written by the IRS, are available in the Form 1095-C instructions.

- References to Affordability relate to affordability at the Employee-Only Coverage level. ACA Affordability refers to if the employee was offered coverage, not if the employee elected Coverage for themselves or for their Spouse or Children. The ACA also looks at what the Employee *would* have paid if they had elected coverage.
- There is not a specific code used for when the Employee waives coverage. The form is designed to determine if the employee was offered MEC and MV coverage and if it was considered affordable due to the IRS guidelines. Most often, a code is applicable when they waive coverage showing that the plan was affordable and that they were offered the coverage.

Form 1095-C: Line 14 – Code Series 1

Code	Code Meaning	When Code should be Used
1A	Qualifying Offer: You offered a plan that was Minimum Essential Coverage (MEC) and Minimum Value (MV) to the Employee (EE). This also means that the offer was affordable because it's < or = to the current year single, mainland federal poverty line. As well as offered MEC to spouse + dependents.	<ul style="list-style-type: none"> Offered Family Coverage, and Offered MEC Providing MV, and Coverage is Affordable because it is equal to or below the % of the federal poverty level that the IRS has established for the reporting year.
1B	Coverage Offered to EE Only: MEC coverage providing MV offered to EE Only	<ul style="list-style-type: none"> Coverage not offered to Spouse or Children
1C	Coverage Not Offered to Spouse: MEC and MV Coverage offered to EE's and EE's Children only.	<ul style="list-style-type: none"> Spouses are not included in Coverage
1D	Coverage Not Offered to Children: MEC and MV coverage offered to EE's and Spouses only.	<ul style="list-style-type: none"> Children are not included in Coverage
1E	MEC and MV Coverage offered to EE: At least MEC offered to Dependents and spouse	<ul style="list-style-type: none"> Coverage may not be affordable Coverage is affordable based on either W2 earnings, or rate of pay
1F	Coverage does not provide MV: MEC offered to EE, Spouse and/or Children but not MV.	<ul style="list-style-type: none"> Coverage does not provide MV
1G	Self-Insured Coverage offered: Self-Insured coverage offered to an EE who was not full time (FT) Employee for any month in the calendar year.	<ul style="list-style-type: none"> Only used with a Self-Insured Plan Non-Full Time employees are eligible for the plan Dependents that have independently elected COBRA or other people that are offered benefits, but not on the payroll (Board of Directors, S-Corp presidents, etc.)

Code	Code Meaning	When Code should be Used
1H	No Offer of Coverage: Coverage was not offered or was not considered MEC for the EE	<ul style="list-style-type: none"> • EE was in a limited Non-assessment period • EE was not currently an employee • EE was ineligible for coverage • Coverage was not considered MEC • Coverage was not offered for the entire month* • Employee was terminated and offered COBRA coverage
1I	Qualifying offer Transition Relief 2015: Coverage not offered to Family or offered a non-qualifying coverage, or the qualifying offer was for less than 12 months	<ul style="list-style-type: none"> • Made qualified offer for one or more months of 2015 to at least 95% of your FT employees not including your employees in a Limited Non Assessment Period • The EE did not receive a qualifying offer of coverage this month.

* **Offer of Coverage:** An Offer of Coverage means that you provide coverage for every day of a calendar month. If a terminated employee would have been covered for the entire month, if not for being terminated, they are an exception to this rule.

Form 1095-C: Line 16-Code Series 2

Code	Code Meaning	When Code should be Used
2A	Employee (EE) not employed on any day during the month	<ul style="list-style-type: none"> • EE is not hired yet, do not use for the month they are hired if hired mid-month. • EE was Terminated, but don't use for the month the EE was terminated
2B	EE Not a Full Time employee	<ul style="list-style-type: none"> • EE is Part Time, Seasonal or a Variable hour Employee • Employee is in a Measurement Period and FT status hasn't been established • Employee Terminated in this month
2C	EE enrolled into the coverage offered	<ul style="list-style-type: none"> • EE accepts and is enrolled in an offer of coverage, even if the coverage was not MEC, MV or affordable. Shows they had coverage.

Code	Code Meaning	When Code should be Used
2D	Employee in a Section 4980H(b) Limited Non-Assessment Period (LNAP).	<ul style="list-style-type: none"> Any Month that the EE was in a LNAP EE in an Initial Measurement Period EE is in a Waiting period for Initial or Standard Measurement Period (Continued on next page) EE is in the first calendar month of Employment and started Mid-Month with employment First year as an Applicable Large Employer (ALE) EE has a change in status in their initial measurement period
2E	Multiemployer interim rule relief	<ul style="list-style-type: none"> Month that the EE would fall under the multi-employer interim guidelines. A Portion of your workforce is eligible for a multi-employer (union) plan and you make an ongoing contribution to that plan on behalf of your employees.
2F	Coverage is affordable based on Form 4980H W-2 Safe Harbor	<ul style="list-style-type: none"> Employer used the section 4980H Form W-2 Safe harbor to determine affordability
2G	Coverage offered is affordable based on the Section 4980H Federal Poverty Level Safe Harbor	<ul style="list-style-type: none"> Coverage is affordable based on the Yearly Federal Poverty Level for the month
2H	Coverage offered is affordable based on the Section 4980H Rate of Pay Safe Harbor.	<ul style="list-style-type: none"> Coverage is affordable based on the Rate of Pay Safe Harbor for the month
2I	non-calendar year transition relief applies to this Employee	<ul style="list-style-type: none"> Offered a non-calendar year plan and are also eligible for associated transition relief EE was only eligible for a non-calendar year plan Do not use this code if EE was eligible for a calendar year plan