

Employee Benefit Plans Alert

IRS Final Regulations: The Affordable Care Act (ACA)

By Anthony Bianchi, Tax Supervisor

Employers with 50 or more full-time employees (including full-time equivalent employees) in the previous year will be required to file the IRS Forms 1094-C and 1095-C (the Forms) for the 2022 calendar year. The IRS recently issued final regulations with respect to the ACA that we will summarize here.

The ACA Revisited

Automatic Form 1095-C 30-day extension: The final regulations provide employers with a permanent, automatic 30-day extension for furnishing the Form 1095-C to their employees. The new regulations extend the deadline for delivering the Forms to employees until March 2, 2023. Meanwhile, the deadline for filing the Forms 1094-C and 1095-C with the IRS is March 31 (consistent with the filing deadline for previous years).

Employer affordability percentage: One item of note is a change in the affordability percentage under the employer mandate for 2023. Health insurance coverage is considered "affordable" if employee contributions for employee-only coverage do not exceed a certain percentage of the employee's household income. The original affordability threshold amount was set at 9.5% in 2014 and has been adjusted annually for inflation. For 2023, the affordability percentage is set at 9.12%, a historic low since the inception of the employer mandate. The decrease in the percentage is due largely to health care changes enacted under the American Rescue Plan.

Incorrect or incomplete reported information: Per IRS Notice 2020-76, the IRS will no longer provide relief where incorrect or incomplete information is reported on ACA reporting. Relief was provided for reporting years 2015 through 2020 as long as good faith efforts to comply were shown by the reporting entity. Organizations will be responsible for ensuring data like EINs, DOBs and other information in the Form 1095 are accurate.

Contact Us

The Employee Benefit Services Group at PKF O'Connor Davies is available to assist employers with all aspects of employee benefit plan compliance. For more information, please contact your client services partner or any of the following:

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