Deloitte.

Tax reporting for the Affordable Care Act

The challenge—year one is over, now what?
Compliance with the Affordable Care Act's (ACA's) 2015 employer tax reporting requirements was a transition period, allowing businesses to adjust to the new law and put in place new compliance processes and systems. The good-faith threshold for compliance was 70 percent, and non-compliance penalties were entry-level. Compliance, as expected, proved to be a complex multi-step process that presented many challenges.

What we learned in 2015
According to a Deloitte survey[1], three common issues—a lack of data integrity, vendor support, and effective technology—made it difficult for companies to:

- Capture and collect data from multiple sources
- Accurately identify full-time and part-time populations and unique employee groups
- Identify employees who received offers of coverage
- Establish affordability of coverage
- Test or validate data to generate accurate codes
- Reduce the need for corrections through data accuracy
- Find flexibility in technology

More specifically, we found that companies struggled with data because it comes from multiple, sometimes conflicting, sources. Employers often had questions and faced issues that extended beyond compliance. And, some organizations discovered that their ACA technology wasn't flexible enough to address their reporting requirements.

Looking ahead to 2016 compliance
After the 2015 experience, leaders in many companies have been left wondering how to prepare better: compliance in 2016 could be even more challenging since the compliance threshold has been raised from 70% to 95%, with possible tax assessments if this threshold is not met and with potential penalties of up to $6 million for incorrect or late reporting.

1. Affordable Care Act Roundtable Survey, March 2016, along with Deloitte client meetings and communications

The Deloitte difference

Deloitte can tailor our services to effectively and efficiently address the aspects of ACA compliance that are most challenging to your organization. We offer:

Tax and ACA knowledge and experience. Since enactment of the ACA, Deloitte has taken a leadership role to help clients understand the ACA's technical requirements and plan for the employer mandate effective dates. We have worked with clients to analyze a range of issues, from the impact that non-employees such as independent contractors could have on an employers' shared responsibility payments, to identifying the data necessary to accurately report on IRS Form 1095-C. We have a dedicated team of specialists tracking ACA tax legislation and related regulatory activities to provide timely guidance and address the potential impact such activities may have on our clients. We also have significant experience in presenting information to and communicating with the IRS, including responding to IRS notices.

Tailored approach. Every employer has specific circumstances that impact its ability to comply with ACA requirements, including some that are unique to particular industries. Leveraging the lessons learned from 2015 ACA compliance, Deloitte offers industry-specific experience along with in-depth knowledge of ACA compliance complexities.

Flexible and scalable technology. Deloitte has carefully selected appropriate technology solutions to address ACA tax reporting requirements. Our Laborwise™ ACA technology platform can handle large and small volumes of employee data, serving as a flexible tool for ACA data gathering and analytics.

Resources to support other ACA matters. As one of the world's largest professional services firms, Deloitte has the scale to effectively assist and advise our clients on ACA matters, delivering quality service in a cost-effective manner. Our Global Compliance Center is comprised of a large group of professionals focused on delivering compliance services, who are able to assist with ACA tax reporting. Our professionals adhere to Deloitte's stringent risk standards and security protocols, using standardized compliance processes, supported by technology, including a highly automated, paperless environment.

Outstanding client service. We offer a dedicated client service team, carefully selected for each engagement, that is committed to providing insight, responsiveness, and quality. Each team brings together professionals who contribute their experience in tax law, tax information reporting, healthcare reform, time and attendance systems, payroll, benefits administration and engagement management to address the complex tasks presented by ACA compliance.

Employers face four areas of complexity:

Assessing tax exposure. With a higher compliance threshold and penalties, it's even more important to have capabilities for measuring and tracking employee status, hours, eligibility, and offer/acceptance of benefits coverage, as well as affordability of the benefits. Strong data management for these processes is essential.

Tax reporting. Processes necessary for IRS tax reporting and e-filing, as well as distribution of IRS Form 1095-C to each employee, proved especially challenging last year. Accurate reporting involved the transfer of a vast amount of employees' personally identifiable information (PII)—just one of the potentially serious impacts on employees. Further, it is critical to thoroughly understand and correctly apply the various complex coding combinations required by the IRS.

IRS notice assistance. Companies also discovered that, as anticipated, ACA tax reporting was just the starting point for IRS determination of potential tax assessments. Companies should maintain careful records about how determinations are made for reporting purposes in order to defend the tax positions taken should the IRS send an inquiry.

Change management. ACA reporting requirements necessitated many changes for most applicable large employers, about which employees had many questions, including regarding information on their Form 1095-C. Going forward, employers need to communicate clearly with employees and to answer their questions in a timely manner.

Did 2015 ACA compliance meet expectations within your organization? It is imperative to have experienced teams, knowledgeable consultative guidance, and effective technology going forward. Are you prepared?

Deloitte can help.

Our approach for 2016—analyze, prioritize, plan, and execute

Deloitte has deep understanding of ACA tax-reporting requirements, extensive experience with and lessons learned from 2015 compliance, and substantial capabilities and resources to assist your company with 2016 compliance (Figure 1). The diverse backgrounds of our advisers, including tax, human resources, technology, and internal audit, enable us to help you focus on rigorous compliance, risk mitigation, and cost effectiveness across your organization.

For 2016 ACA tax-reporting compliance, we can provide a wide range of advice and assistance as you:

Analyze. A 2015 Gap Analysis can reveal where your organization performed effectively in 2015 while identifying areas for improvement to meet 2016 ACA requirements.

Prioritize. We can help you develop a refined approach for 2016 that identifies and addresses gaps identified within your existing compliance process and technology infrastructure and takes into consideration your organization's risk profile.

Plan and execute. For the refinements identified, we can help you develop a practical and tailored remediation plan, assess and prepare the resources needed to execute, and even assist in those areas where you wish to supplement your organization's internal resources.

Improving the ACA process in 2016

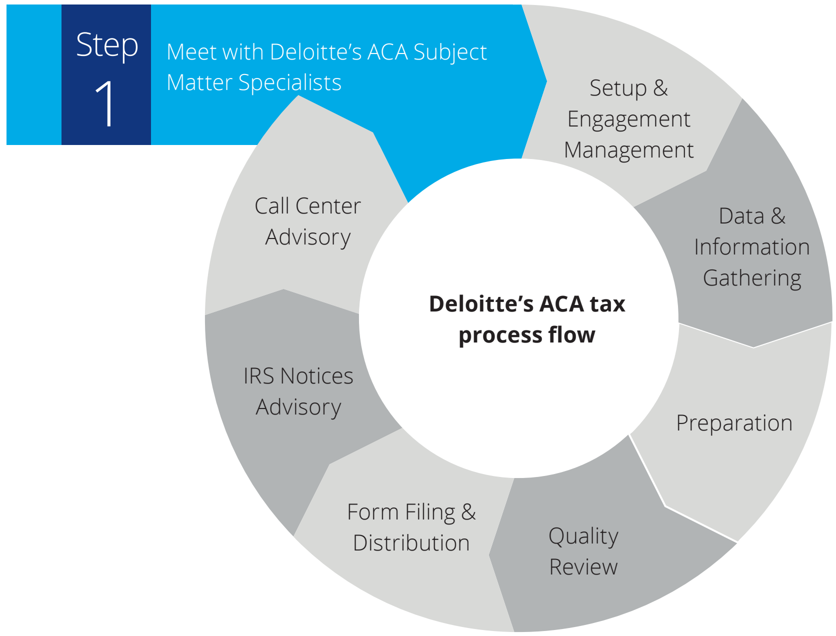

Figure 1. Improving the ACA compliance process in 2016

Whether you need assistance on a tax advisory basis or more intensive assistance through a co-sourcing or even outsourcing arrangement, we can scale our resources to address your requirements in the following areas.

Refining data-gathering and analysis processes

Our flexible, customizable approach to ACA tax reporting guides you through the data gathering and sometimes complex analysis required to address the requirements. We help you respond to the key questions being posed by your organization, including:

- **Who are our full-time employees?**
- **What offer of coverage did we provide to these individuals?**
- **Was the offer of coverage affordable?**
- **Which employees were offered coverage and accepted it?**

Since the answers to these questions rely on accurate and timely data, we can help you confirm the source systems, refine how relevant data is imported from them, and assess how that data is translated into the IRS reporting format. You can then leverage our Laborwise™ ACA technology to address your ACA analysis and reporting requirements.

Laborwise™ provides:

- **Efficient data gathering**—accepting and aggregating data from disparate sources and accommodating various employee populations.
- **Sophisticated tax logic** enabled by our deep tax services experience and enhanced by our knowledge of and experience with IRS filings.
- **Timely analysis** for tax return preparation, access to tools for compliance tracking, and integration with workforce management tools.
- **Secure PII processes** developed specifically to protect PII and providing limited access to PII in IRS forms.

Improved tax reporting
With the relevant information collected, we can assist your organization with preparation of Forms 1094-C and 1095-C and delivery of the returns to employees. We have significant experience with processing large volumes of tax returns, and we can quickly scale our processes to address your specific requirements. Our Global Compliance Center in Hyderabad, India is comprised of a group of professionals focused on providing IRS compliance services related to a variety of IRS information reporting returns. This allows our compliance teams in the US to have the support of trained professionals to handle this new reporting requirement in a cost-effective way.

Advice on employer shared responsibility payments
Unlike other IRS information return filings, the Form 1095-C is the beginning point for the IRS to make its ACA tax assessment. Our experienced professionals can provide practical advice and recommendations for effective data-gathering practices to help your organization respond to IRS notices in a timely manner.

Services beyond compliance
Employee communications. To address questions from your employees about their tax forms, we can help you prepare knowledge-sharing documents, such as frequently asked questions, and provide training for your call center personnel.

Proactive tracking service. If you want to manage your workforce-related information and track on a real-time basis those employees who have not been extended health care coverage but could trigger an employer shared responsibility payment, our Laborwise™ ACA technology has an added component to address this. The results are presented through online dashboards, which highlight employees who may trigger a payment requirement, as well as provide a global view of month-by-month compliance with the 95% threshold.

Deloitte.