In 2016, Deloitte Tax LLP conducted multiple surveys to investigate the key impact of the efforts and experiences of employers related to the new reporting requirements of the Affordable Care Act (ACA). These surveys were conducted via email and through our proprietary webcast program, Dbriefs, between May and August of 2016.

The ACA has brought sweeping change that employers have been addressing over the past several years. In 2016, employers faced challenges navigating the new reporting requirements that required using a new lens to view employee data and the even the nature of the employment relationship.

Key findings:

• Almost 60% of respondents found the biggest challenge was getting answers to technical questions.

• Over half of respondents used a payroll provider or tackled reporting compliance in-house.

• Tracking employee status changes and employees with concurrent employment in multiple entities are key challenges.

• Employers were more likely to have HR or Benefits teams driving the compliance than tax or IT.

• Beyond completing the forms, challenges with determining full-time employees and concerns about whether 95% of full-time employees were covered remain top of mind.
Based on your experiences in Year 1, are you planning to make changes to your approach for ACA reporting in Year 2?

With Year 1 of the tax reporting for ACA behind us now, there is a near even split between companies that plan on taking the same approach in Year 2 (49%) and those who are considering or planning to take a different approach (51%). In 2016, we will be dealing with a compressed timeline, as it is expected that the Internal Revenue Service (IRS) will adhere to the original timeline this year. Employers will need to determine their approach quickly, because they will need to distribute forms to employees by January 31, 2017, and file with the IRS by March 31, 2017.

Our solution to completing the task of preparing the Form 1095-C’s was:

Over half of our respondents – 55% - either outsourced form preparation to their payroll provider or did it in-house, with most opting for their payroll provider. This may explain why many found that a major challenge was getting answers to technical questions, as noted in the next graphic.
Now that the 2015 filing season is or will soon be behind us, we expect to:

Respondents were allowed to choose multiple responses

- Have some notices to address but they will be minor and manageable: 45%
- Monitor whether we pass the 95% threshold on a monthly basis using the same approach: 36%
- Be swamped with employee questions about the forms: 30%
- Be swamped with IRS notices that we will need to respond late this year: 20%
- Not receive notices for this year, since it is a good faith year, the IRS will not send any correspondence: 20%
- Not receive notices since this is simply information reporting and nothing more will happen: 11%

For the preparation of 2016 Form 1095-Cs, we:

- Plan on taking the same approach as with 2015 forms: 63%
- Are undecided on approach we will use for 2016 forms: 23%
- Plan on taking a different approach than with 2015 forms: 14%

We are already more than halfway through 2016; do you know your month-by-month ACA compliance percentage? With a much higher threshold in 2016 – 95% vs 70% in 2015 – it is imperative for companies to be able to substantiate their tax positions so they are ready to respond to IRS notices – which most respondents (65%) seem to expect. Interestingly, 62% of respondents who were either undecided about or wanted to change their 2016 approach used a payroll service provider.
The biggest challenges we faced in completing the forms included:

Respondents were allowed to choose multiple responses

While a lucky 13% of a few organizations did not have any challenges that was not the norm. Most respondents were not so lucky, running into difficulties identifying their full-time employee population, getting answers to technical questions, gathering data on the coverage offered, and determining whether coverage is affordable.

Getting the answers to technical questions 59%
Gathering the data about which employees were full time employees 38%
Tracking employee status changes 48%
Did not have any challenges 13%
Gathering the data on whether the coverage offered was affordable 11%

The task of developing and executing the approach was mainly driven by:

In a large majority of cases, ACA compliance is driven by the HR or Benefits teams. While the IT and Payroll functions were also involved, ACA compliance is largely seen to fall under HR/Benefits.

It is important to remember that ACA Information Reporting serves multiple purposes. Form 1095-C provides information to employees needed to complete his or her return. But phone a friend in tax!

If coverage is not offered to at least 95% of FTEs, a shared responsibility payment could be due. This is increasingly important as the IRS begins to send out notices and enforce compliance.
Organization’s Global annual revenue (in USD):

With 86% of our respondents having a headcount of 25,000 and under, close to 60% of companies who participated in our survey have total annual revenue of $500 million and under.

- **31%** Less than 100 million
- **23%** 100 million to 500 million
- **5%** 500 million to 1 billion
- **20%** 1 billion to 5 billion
- **9%** 5 billion to 10 billion
- **9%** 10 billion to 25 billion
- **9%** >25 billion
Certain types of clients struggled more than others with ACA information reporting requirements – we found that clients in the retail, health care, hospitality, entertainment, and manufacturing industries, which have many variable hour employees, seasonal employees and such experienced some complex challenges identifying their Full-Time Employee population. However, certain ACA challenges (gathering data from disparate systems, limited personnel to focus on ACA compliance) may affect an employer regardless of industry.

Organization’s primary industry affiliation:

- Manufacturing 18%
- Health Care Services – Provider 17%
- Professional Services 13%
- Retail 7%
- Financial Services – Asset Management, Private Equity 7%

Other industries include:

- Aerospace and Defense 2%
- Education 3%
- Transportation, Travel, or Tourism 3%
- Financial Services – Banking 3%
- Pharmaceuticals and Biotechnology 3%
- Financial Services – Insurance 5%
- IT and Technology 5%
- Energy and Utilities 5%
- Government/Public Sector – City/Local 5%
- Government/Public Sector – State 5%
- Oil and Gas 5%
- Pharmaceuticals and Biotechnology 5%