

Tax reporting for the Affordable Care Act



The challenge

As many employers are discovering, meeting the Affordable Care Act's (ACA's) employer reporting requirements is a complex, multistep process that presents many challenges. Recent guidance issued by the Internal Revenue Service (IRS) highlights four areas of complexity employers face, especially given a quickly approaching deadline for initial filing. The four areas include:

Assessing tax exposure. Applicable large employers are potentially subject to two employer mandate-related taxes. IRC Section 6056 places the burden on the employer to provide data that demonstrates it is not subject to these taxes. Completing this filing requires capabilities for measuring and tracking employee status, hours, eligibility, and offers and acceptance of benefits coverage, as well as affordability of the benefits. Data for these processes typically reside in several different information systems, requiring a process for data extraction and importation, plus specific knowledge of ACA rules and IRS compliance requirements.

Tax reporting. Processes are necessary for IRS tax reporting and e-filing, as well as distribution of IRS Form 1095-C to each employee. Preparing these returns — especially for employers with thousands of employees and multiple legal employing entities — could be significantly more demanding than payroll reporting since the necessary data resides in different systems, requires careful review and coding, and must be provided for each month within a calendar year. Tax positions taken on the returns will also determine the Employer Shared Responsibility Payment that a company must pay.

IRS Notice assistance. Unlike other IRS information reporting filings, this filing is only the starting point for the IRS to determine a potential Employer Shared Responsibility Payment. The IRS will issue notices based on the forms filed. Employers must respond in an accurate, correct and timely fashion. This is important, because an employer's response to the IRS questions will dictate any shared responsibility payment the employer might be required to make.

Change management. The new ACA reporting requirements will necessitate a number of changes for most applicable large employers. Employees will likely have questions about information on their Form 1095-C, so employers must be able to communicate what these forms mean. Also, the process to gather data is new and requires the implementation of a new process that is repeatable and sustainable.

Who within your organization will be tasked with these ACA responsibilities? Do they have the resources and access to data necessary to perform the required analyses, prepare and file the necessary returns, distribute the required forms to employees, and respond to employee and IRS requests for information? Will your existing technology and support infrastructure facilitate these activities? What is your potential Employer Shared Responsibility Payment?

Deloitte can help.

Our approach

Deloitte has deep knowledge, experience, and capabilities to provide assistance as your company evaluates and addresses the complex, multistep processes involved in ACA tax-reporting compliance. We bring together experienced advisers with diverse backgrounds, such as tax, human resources, technology, and internal audit, to deliver services efficiently and cost effectively.

We can provide advice and assistance as you:



Analyze your approach by helping you understand ACA requirements, think through the implications for your organization, and examine relevant risk factors.



Develop a customized approach that identifies and addresses gaps within your existing compliance process and technology infrastructure while taking your organization's risk profile into consideration.



Execute on the components that are developed, including assisting in those areas where you wish to supplement your organization's internal resources.

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

Data gathering and analysis

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:



Who are our full-time employees? This analysis may be fairly complex when factoring in new hires and part time employees who average more than 30 hours per week.



What offer of coverage did we provide to these individuals? Understanding the different levels of coverage, and the eligibility requirements for each level, can be challenging for large employee populations.



Was the offer of coverage affordable? Comparing benefit plans and coverage levels becomes more complex as the number of options offered increases.



Which employees were offered coverage and accepted it? A view of the complete landscape of coverage at your organization can give you greater insight into potential risks or areas for adjustment.

With the necessary data coming from multiple systems across your organization, we can help you to identify source systems, import relevant data, and translate the data to the IRS reporting format. Our ACA technology, is being designed to consider the specific analysis and reporting requirements for ACA, accommodates the data-gathering and calculations you have already conducted, and may be able to assist as you complete your requirements.

For example, unlike standard methods of analyzing labor hours, such as overtime, the ACA eligibility criteria count a variety of worked and unworked time, including compensation from third-party sources such as disability. The regulations also require that the tracking and eligibility status are identified for each employee based on individual employee status dates. Our Laborwise™ ACA technology will help you track relevant employee data and visualize how and when employees are reaching the 30-hour FTE threshold.

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 is comprised of a group of professionals focused on providing IRS compliance services related to a variety of IRS information reporting returns. This allows us to have the trained professionals to handle this new reporting requirement.

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.

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 training for your call center personnel.

Benefits and workforce management consulting. 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 dashboards, which show which employees may trigger a payment requirement and assist in the development of planning scenarios for the remainder of the year.

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. Deloitte offers industry-specific experience along with in-depth knowledge of the complexities associated with ACA compliance, and can help you prepare to address such complexities.
- **Flexible and scalable technology.** Deloitte has carefully selected an appropriate technology solutions to address ACA tax reporting requirements. Our Laborwise™ ACA technology platform can handle large and small volumes of employee data, and serves as a flexible tool for ACA data gathering and analytics. Across our technology solutions, we are laser focused on safeguarding personally identifiable information.
- **Resources to support ACA needs.** 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.



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