

## 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.

**Note:** 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.

#### Notes:

- 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 they were 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.

Notes:

- 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 that the employee enrolled in an offered medical plan. However, this 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 whether 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.

Code	Code Meaning	When Code Should be Used
1A	<b>Qualifying Offer:</b> 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 is < or = to the current year single, mainland federal poverty line. MEC was offered to spouse and dependents as well.	<ul style="list-style-type: none"> <li>• Offered Family Coverage, and</li> <li>• Offered MEC Providing MV, and</li> <li>• 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</li> </ul>
1B	<b>Coverage Offered to EE Only:</b> MEC coverage providing MV offered to EE only.	<ul style="list-style-type: none"> <li>• Coverage not offered to spouse or children</li> </ul>

Code	Code Meaning	When Code Should be Used
1C	<b>Coverage Not Offered to Spouse:</b> MEC and MV coverage offered to EEs and EE's children only.	<ul style="list-style-type: none"> <li>Spouses are not included in coverage</li> </ul>
1D	<b>Coverage Not Offered to Children:</b> MEC and MV coverage offered to EEs and spouses only.	<ul style="list-style-type: none"> <li>Children are not included in coverage</li> </ul>
1E	<b>MEC and MV Coverage Offered to EE:</b> At least MEC offered to dependents and spouse.	<ul style="list-style-type: none"> <li>Coverage may not be affordable</li> <li>Coverage is affordable based on either W2 earnings or rate of pay</li> </ul>
1F	<b>Coverage does not Provide MV:</b> MEC offered to EE, spouse and/or children, but not MV.	<ul style="list-style-type: none"> <li>Coverage does not provide MV</li> </ul>
1G	<b>Self-Insured Coverage Offered:</b> Self- Insured coverage offered to an EE who was not a full time (FT) employee for any month in the calendar year.	<ul style="list-style-type: none"> <li>Only used with a Self-Insured Plan</li> <li>Non-Full Time employees are eligible for the plan</li> <li>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.)</li> </ul>
1H	<b>No Offer of Coverage:</b> Coverage was not offered or was not considered MEC for the EE.	<ul style="list-style-type: none"> <li>EE was in a limited non-assessment period</li> <li>EE was not currently an employee</li> <li>EE was ineligible for coverage</li> <li>Coverage was not considered MEC</li> <li>Coverage was not offered for the entire month*</li> <li>Employee was terminated and offered COBRA coverage</li> </ul>
1I	Code Reserved	Not being used at this time
1J	MEC providing MV offered to EE and at least MEC offered conditionally to spouse, but no coverage offered to dependents.	When coverage that is offered to EE is only offered to spouse if he/she does not receive an offer of coverage from his/her employee. No coverage offered to dependent children.
1K	MEC providing MV offered to EE and dependents, and at least MEC offered conditionally to spouse.	When coverage that is offered to EE and dependent children is offered to spouse if he/ she does not receive an offer of coverage from his/her employer.

Code	Code Meaning	When Code Should be Used
1L	Individual Coverage HRA offered to employee only with affordability determined by using employee's Primary resident location ZIP code.	Affordability for HRA offered is determined using their primary residence is offered to Employee.
1M	Individual Coverage HRA offered to employee and dependents (not spouse) with affordability determined by using employee's Primary resident location ZIP code.	Affordability for HRA is determined using their primary residence is offered to employee and children.
1N	Individual Coverage HRA offered to employee, spouse and dependents with affordability determined by using employee's Primary resident location ZIP code.	Affordability for HRA offered is determined using their primary residence is offered to employee, spouse, and children.
1O	Individual Coverage HRA offered to employee only using the employee's primary employment site ZIP code affordability safe harbor.	Affordability for HRA offered is determined using their employment site is offered to employee.
1P	Individual Coverage HRA offered to employee and dependents (not spouse) using the employee's primary employment site ZIP code affordability safe harbor.	Affordability for HRA offered is determined using their employment site is offered to employee and children.
1Q	Individual Coverage HRA offered to employee, spouse and dependents using the employee's primary employment site ZIP code affordability safe harbor.	Affordability for HRA offered is determined using their employment site is offered to employee, spouse, and children.
1R	Individual coverage HRA that is NOT affordable offered to employee and their dependents.	HRA that is offered is not considered affordable
1S	Individual coverage HRA offered to an individual who was not a Full-time employee.	HRA was offered to an employee that was not Full Time.
1T	Individual coverage HRA offered to employee and spouse (no dependents) with affordability determined using employee's primary residence location ZIP code.	Affordability for HRA offered is determined using their primary residence is offered to employee and spouse.
1U	Individual coverage HRA offered to employee and spouse (no dependents) with affordability determined using employee's primary employment site ZIP code affordability safe harbor.	Affordability for HRA offered is determined using their primary employment Site ZIP is offered to employee and spouse.

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"> <li>• EE is not hired yet, do not use for the month they are hired if hired mid-month</li> <li>• EE was terminated, but don't use for the month the EE was terminated</li> </ul>
2B	EE not a Full Time employee.	<ul style="list-style-type: none"> <li>• EE is Part Time, Seasonal or a Variable hour employee</li> <li>• Employee is in a Measurement Period and FT status hasn't been established</li> <li>• Employee terminated in this month</li> </ul>
2C	EE enrolled into the coverage offered.	<ul style="list-style-type: none"> <li>• EE accepts and is enrolled in an offer of coverage, even if the coverage was not MEC, MV or affordable. Shows they had coverage</li> </ul>
2D	Employee in a Section 4980H(b) Limited Non-Assessment Period (LNAP).	<ul style="list-style-type: none"> <li>• Any month that the EE was in a LNAP</li> <li>• EE in an Initial Measurement Period</li> <li>• EE is in a Waiting period for Initial or Standard Measurement Period</li> <li>• EE is in the first calendar month of employment, and started mid-month with employment</li> <li>• First year as an Applicable Large Employer (ALE)</li> <li>• EE has a change in status in their Initial Measurement Period</li> </ul>
2E	Multi-employer interim rule relief.	<ul style="list-style-type: none"> <li>• Month that the EE would fall under the multiemployer interim guidelines</li> <li>• A portion of your workforce is eligible for a multiemployer (union) plan, and you make an ongoing contribution to that plan on behalf of your employees</li> </ul>
2F	Coverage is affordable based on Form 4980H W-2 Safe Harbor.	<ul style="list-style-type: none"> <li>• Employer used the section 4980H Form W-2 Safe Harbor to determine affordability</li> </ul>

Code	Code Meaning	When Code Should be Used
2G	Coverage offered is affordable based on the Section 4980H Federal Poverty Level Safe Harbor.	<ul style="list-style-type: none"><li>Coverage is affordable based on the Yearly Federal Poverty Level for the month</li></ul>
2H	Coverage offered is affordable based on the Section 4980H Rate of Pay Safe Harbor.	<ul style="list-style-type: none"><li>Coverage is affordable based on the Rate of Pay Safe Harbor for the month</li></ul>
2I	Code reserved	Not being used at this time

*\*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.*