



District Business & Advisory Services

Judy Lee Kershaw: Director- DBAS: 408-453-6599

Bulletin: 19-026

Date: February 11, 2019

To: Chief Business Officers
Director of Fiscal Services
Human Resources and Payroll Administrators

From: Ann Redd-Oyedele, District Business Advisor - Senior

Re: 2016 Form 1095-C Exceptions – **ACTION REQUIRED** BY BENEFITS OFFICER, POTENTIAL PENALTIES

Please be advised that the Santa Clara County Office of Education received notification from the Internal Revenue Service (IRS) that reporting exceptions on Form 1095-C were identified for the 2016 calendar year. Form 1095-C is filed and furnished to any employee of an Applicable Large Employer (ALE) member who is a full time employee for one or more months of the calendar year. ALE members must report that information for all twelve months of the calendar year for each employee. The IRS has provided employers an opportunity to review these reporting exceptions and offer corrections and/or explanations before a penalty billing is prepared.

Please help us in identifying the Benefits Administrator for your district and provide them with the consolidated Employee Premium Tax Credit (PTC) Listing for their review and correction. **I will distribute the listing to each District Chief Business Officer in a separate email.**

District Benefits Administrators must review the (PTC) Listing and return their comments and any corrections to me by noon on Monday, **February 25, 2019**. Since dependent districts of the Santa Clara County Office of Education share a single employer identification number for Payroll, we will coordinate the response. If DBAS fails to receive a response from districts by the deadline, the preliminary list of exceptions noted by the IRS will result in a consolidated billing for each exception, a charge of \$270 per identified month for each employee. The penalty charges billed by the IRS for each district will be recovered by cash transfers.

Required Action by district Benefits Administrators:

Review the Employee Premium Tax Credit (PTC) Listing and verify assigned codes by month for each employee by District. Employees can further be identified by the ID# assigned by QSS in the ID# column. If corrections are needed, they should be made on the second row of each monthly box by district.

- If the information reported on an accessible full-time employee's Form 1095-C was inaccurate or incomplete, you may make changes to the Employee PTC Listing using the applicable indicator codes for lines 14 (offer of coverage) and line 16 (Safe Harbor and Other Relief) that are described in the instructions for Forms 1094-C and 1095-C. Make any changes, for each employee, as necessary, by entering new codes on the 2nd row of each monthly box.

- When making changes, first enter the indicator code for line 14 and then enter the indicator code for line 16. Separate the two codes with a slash (e.g. 1H/2A).
- If the same indicator code applies for all 12 months of the calendar year, enter that code in the “All 12 Months” column and do not make entries for any of the months.
- If you are providing additional information about the changes for an employee, enter a check in the column titled “Additional Information Attached.” Otherwise, leave this column blank.

NOTE: If more than one indicator code is applicable for a month, enter only one code for that month on the Employee PTC Listing. Note any additional indicator codes that could apply for the affected employee in your signed statement. Include the employee’s name, the applicable months and the additional indicator codes for each month.

An assessment of an Employer Shared Responsibility Payment (ESRP) of \$270 per error for a month will be made if either of the following applies:

- You did not offer minimum essential coverage (MEC) to at least 95% of your full-time employees (and their dependents) and at least one of your full-time employees was certified as being allowed the Premium Tax Credit (PTC) or
- You offered MEC to at least 95% of your full-time employees (and their dependents), but at least one of your full-time employees was certified as being allowed the PTC (because the coverage was unaffordable or did not provide minimum value, or the full-time employee was not offered coverage).

Multi-District Exceptions

In some cases, employees may have worked for more than one district. Districts should review the “Multi-District” section of the PTC Listing and verify assigned codes by month for each employee for their District to update, correct, or explain the IRS identified error. If the boxes are blank, verify what the code should be. If corrections are needed, they should be made on the second row of each monthly box by district.

Indicator Codes for Employee Offer of Coverage

Code Series 1 – Offer of Coverage. The Code Series 1 indicator codes specify the type of coverage, if any, offered to an employee, the employee’s spouse and the employee’s dependents. If the type of coverage, if any, offered to an employee was the same for all 12 months in the calendar year, enter the Code Series 1 indicator code corresponding to the type of coverage offered either in the “All 12 Months” box or in each of the 12 boxes for the calendar months.

Conditional offer of spousal coverage. Codes 1J and 1K address conditional offers of spousal coverage (also referred to as coverage offered conditionally).

COBRA continuation coverage. An offer of COBRA continuation coverage is reported differently depending on whether or not the offer is made due to an employee’s termination of employment.

Other Series 1 Codes

- 1B. Minimum essential coverage providing minimum value offered to employee only.
- 1C. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse).

- 1D. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage
- 1E. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. Do not use code 1E if the coverage for the spouse was offered conditionally. Instead, use code 1K.
- 1F. Minimum essential coverage NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents.
- 1G. Offer of coverage for at least one month of the calendar year to an individual who was not an employee for any month of the calendar year or to an employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.
- 1H. No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee)
- 1I. Reserved.
- 1J. Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage conditionally offered to spouse; minimum essential coverage not offered to dependent(s).
- 1K. Minimum essential coverage providing minimum value offered to employee; at least minimum essential coverage offered to dependents; and at least minimum essential coverage conditionally offered to spouse.

Series 2 Codes – Section 4980H Safe Harbor Codes and Other Relief for ALE Members.

- 2A. Employee not employed during the month. Enter code 2A if the employee was not employed on any day of the calendar month. Do not use code 2A for a month if the individual was an employee of the ALE Member on any day of the calendar month. Do not use code 2A for the month during which an employee terminates employment with the ALE Member.
- 2B. Employee is not a full time employee. Enter code 2B if the employee is not a full time employee for the month and did not enroll in minimum essential coverage, if offered for the month.
- 2C. Employee enrolled in health coverage offered. Enter code 2C for any month in which the employee enrolled for each day of the month in health coverage offered by the ALE Member, regardless of whether any other code in Code Series 2 might also apply.

The statute of limitations for the IRS to assess taxes on a taxpayer expires three (3) years from the due date of the return or the date on which it was filed, whichever is later. A return is considered to be filed on the due date of the date of the return if it was filed on or before its due date. The deadline for filing 2016 Form 1095-C with the IRS was March 31, 2017. We are currently within the statute of limitations to file the 2016 Form 1095-C corrections.

If there are any questions regarding the codes or best practices, our SCCOE subject-matter expert, Sheri Meyers (sherri_meyers@sccoe.org) at (408) 453-6583 may be able to assist you. As always, you can also contact me (ann_redd@sccoe.org) at (408) 453-6593 for assistance or clarifications. I will distribute the PTC listing to district CBOs on Tuesday, February 12, 2019.

Please distribute this memo within your District as deemed appropriate.