

Thank you for using ADP TotalSource for your ACA tax reporting needs. In order to correctly complete your Annual Health Care Reform Reporting, we need some additional information. Below is a list of the questions we'll need you to answer to support your ACA tax reporting, and more information on why each question is asked. Some of the language is "technical" and tied directly to references in IRS regulations.

1. Is Applicable Large Employer Confirmation

Under IRS rules, certain employer aggregation rules apply in determining whether an employer is an "Applicable Large Employer" (ALE) subject to the Employer information reporting provisions. Under those rules, all Employers treated as a single Employer (a "controlled group") under Internal Revenue Code section 414(b), (c), (m), or (o) are treated as one Employer for purposes of determining ALE status. Please review the data to ensure that all of the ALE members are included and correct by FEIN and that all pay groups associated with each FEIN are also correct. If any data is incorrect or missing, please click Report Inaccuracies and use the form to describe the inaccuracies as well as to provide the best contact. If all the data is correct, click Confirm and Continue

2. Will this 1094-C be the "Authoritative Transmittal" for this Applicable Large Employer?

When an Employer files one or more Forms 1095-C, they must also file a Form 1094-C with Employer-level data as a "cover letter" to the IRS.

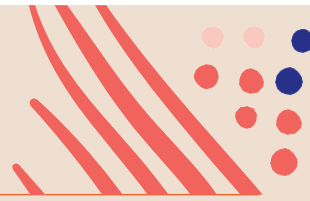
- If a single entity/FEIN is an Applicable Large Employer (ALE), the ALE will file one authoritative Form 1094-C.
- If the ALE is part of a control group with multiple FEINs, each entity/FEIN will file a Form 1094-C, each as the authoritative transmittal.
- If an entity/FEIN is processing employee's W-2 wages/hours outside of ADP TotalSource, that entity/FEIN would be responsible for filing the Form 1094-C as the authoritative transmittal, covering all employees. The Form 1094-C that would be filed on your behalf by ADP TotalSource would be the non-authoritative transmittal.

3. Is your organization a "Designated Government Entity"?

A Designated Government Entity (DGE) is defined as the government of the United States, any State or political subdivision thereof as defined in IRC section 7701(a)(40) or section 7871(d). A DGE may designate another entity to report on its behalf if it is part of, or related to, the same unit or agency. Designation must be in writing and signed by both parties. Appropriately designated entity assumes liability of the ALE for failure to report. A list of DGE's can be found [here](#). **NOTE:** Most businesses will likely answer "No" to this question.

4. Is this the first year that your business qualifies as an ALE?

Was the 2019 calendar year the first time you averaged 50 or more full-time employees (including full-time equivalents)? If so, the 2020 calendar year is the first year you are considered an Applicable Large employer and you would answer "yes" for this question.



5. Did you contribute to a Health Reimbursement Account (HRA) or offer your employees an opt-out payment for waving coverage in the 2020 calendar year?

Do you offer a Health Reimbursement Account (HRA) or an incentive payment, bonus or other type of payment to employees who waive (opt-out) medical insurance coverage? Clients answering "Yes" will be contacted by an ACA Center of Excellence Team Member to determine how this may impact affordability reporting on the Form 1095-C. Note: An HRA (Health Reimbursement Account) is not the same as an HSA (Health Savings Account).

6. Please select a section 4980H Safe Harbor code to determine affordability for your employees. The Rate of Pay Safe Harbor is selected by default.

Health care coverage is defined as affordable under ACA rules if the participant's cost for self-only coverage does not exceed 9.5% (in 2014, indexed thereafter) of the participant's household income. Since most Employers cannot reasonably determine an employee's household income, the regulations allow alternative methods ("Safe Harbors") for determining affordability (such as comparing the monthly premium cost to the employee's monthly rate of pay, or comparing premium costs to the employee's W-2 wages).

Employers can select either the rate of pay safe harbor which applies to an employee's monthly salary (or hourly rate multiplied by 130) or the W-2 safe harbor which applies a monthly amount based on the value from Box 1 of the employee's W-2 to determine affordability. The TotalSource ACA Dashboard provides visibility to estimate affordability for both of these options.

The Rate of Pay Safe Harbor is the most common method Employers use. You may want to use the W-2 method if you have a lot of employees who are paid via commission, work a lot of overtime hours, or paid via piece-rate.

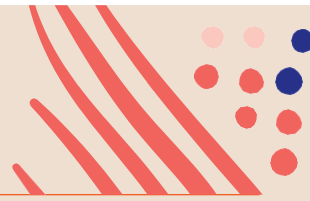
7. Please select the plan start month during which your health plan year begins for 2020

The plan start month will indicate on the 1095-C, the calendar month during which the plan year begins for the health plan in which employees are offered coverage (or would be offered coverage if an employee was eligible to participate in the plan). If more than one plan year could apply (for example, for Employers that begin with ADP TotalSource in the reporting year), select the earliest applicable month. If there is no health plan offered to employees, select 'none'.

Affordable Care Act (ACA) Additional Terminology and Definitions

Applicable Large Employer (ALE):

An ALE is a business entity that employs 50 or more full-time equivalent employees (FTEs) and is therefore covered under the Employer Shared Responsibility (Play or Pay) Mandate of the Affordable Care Act. An ALE could be a single entity that employs the requisite number of employees. An ALE could also be a group of related entities (a controlled group) where the combined total of employees is equal to or greater than 50 FT / FTE's. Each member entity within a controlled group will be looked at separately when determining assessments that may apply. Assessments will be charged only to the member entities within the controlled group that do not meet the requirements.



Affordable Health Care:

Health care coverage is defined as affordable under ACA rules if the participant's cost for self-only coverage does not exceed 9.5% (in 2014, indexed thereafter) of the participant's household income. Since most Employers cannot reasonably determine an employee's household income, the regulations allow alternative methods ("Safe Harbors") for determining affordability (such as comparing the monthly premium cost to the employee's monthly rate of pay, or comparing premium costs to the employee's W-2 wages).

Controlled Group:

Under the Employer Shared Responsibility provisions, all employees of a controlled group or affiliated service group (as defined in Internal Revenue Code Sections 414(b), (c), and (m)) are to be treated as a single Employer in determining whether any member of the controlled group of affiliated service group is an applicable large Employer.

A controlled group may exist if the businesses have one of the following relationships:

- Parent-subsidiary ("normal" rule is 80% ownership)
- Brother-sister (same 5 or fewer owners own collectively or individually 80% or more with effective control of 50% or more)
- Combination of the above
- Affiliated Service Groups

These rules have been incorporated into the ACS for the purposes of determining whether or not this controlled group of companies must be combined for purposes of determining whether they collectively employ at least 50 full-time employees (FTE) covered under the Employer Share Responsibility mandate and ACA reporting rules.

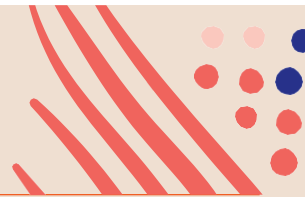
Note: Determination of controlled group status is complex and depends upon particular facts and circumstances determined by the Internal Revenue Code. **You are encouraged to consult with your tax and/or legal advisor to make this determination.** A detailed review of Controlled Groups Provisions can be found in this [IRS document](#).

Employer Shared Responsibility (ESR) or Play or Pay Mandate:

If an Employer with at least 50 full-time equivalent employees doesn't provide affordable health insurance to at least 95% of its full-time employees and a worker uses a tax credit (subsidy) to help pay for insurance through an exchange, the Employer must pay a fee (assessment) to help cover the cost of the tax credits.

IRS Form 1094-C:

Employers with 50 or more full-time employees (including full-time equivalent employees) in the prior calendar year will use [Form 1094-C](#) to report the information required under IRC Section 6056 (and Section 6055, for self-insured Applicable Large Employer (ALE) Members) about offers of health coverage and enrollment in health coverage for their employees. Form 1094-C must be used to report to the IRS summary information for each Employer and to transmit Forms 1095-C to the IRS. Each Employer in a controlled group is responsible for its own reporting is referred to in the instructions as an "Applicable Large Employer Member (ALE Member)" or "Employer."



IRS Form 1095-C:

[Form 1095-C](#) is used to report information about each full-time employee and any part-time employees enrolled in self-insured coverage. The 50 or more full-time and full-time equivalent employee test applies on an aggregated group basis, but reporting is done on individual Employer basis.

Limited Non-Assessment Period:

An Employer is eligible for a Limited Non-Assessment Period from January through March of the first calendar year in which an Employer becomes an ALE provided that any applicable employee is offered health coverage providing minimum value by the first day of the first month following the end of the period. An ALE Member will not be subject to an assessable payment, regardless of whether that employee is offered health coverage during the Limited Non-Assessment Period.

Minimum Value Coverage

An employer's group health plan provides 'minimum value' if its share of the total allowed costs of benefits provided under the plan is at least 60% of those costs.