

Thank you for using ADP TotalSource for your ACA tax reporting needs. 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 your company an Applicable Large Employer (ALE)?

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.

2. Is this the first year that your company qualifies as an ALE?

Was the 2023 calendar year the first time you averaged 50 or more full-time employees (including full-time equivalents)? If so, the 2024 calendar year is the first year you are considered an Applicable Large employer, and you would answer "yes" for this question.

3. Does your company employ Union Employees who are in a Multi-Employer Plan?

A multiemployer health plan is an employee benefit plan between two or more employers and a labor union under a collective bargaining agreement to which one or more employers contribute. Employers who are covered under the Affordable Care Act's employer shared responsibility provisions and have employees offered health coverage under a multiemployer plan must still furnish 1095-C document to any employee who meets the ACA's definition of full-time in one or more months of the calendar year.

4. 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 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.

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-subsidary ("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.