

ACA Reporting Simplified –

What You Need to Know to
Meet the Requirements



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ACA reporting still required by employers

It's been over ten years since the Affordable Care Act (ACA) was enacted, and it continues to make headlines for all its legal challenges. The subject of continued vigorous debate, the landmark health law has undergone multiple votes to repeal it, and yet the law still stands.

If you're confused about the impact of these various developments on your small business, you're not alone! But the reality is that very little has changed with the reporting requirements for applicable employers. The employer mandate still stands, which means employers must continue to satisfy ACA reporting requirements — until further notice.

The Employer Shared Responsibility rule requires employers to file annual information returns with the IRS, as well as provide summary statements to employees. The primary purpose of the ACA reporting requirements is to communicate certain details of health insurance coverage, including verification that the “minimum essential coverage” (MEC) is being met.

In general, the reporting requirement applies to employers with 50 or more full-time employees and all self-insured employers, regardless of size. The IRS forms used to report this information are 1095-B and 1095-C, along with transmittal forms 1094-B and 1094-C.

As you might imagine, the impact of these requirements is tremendous. This report covers the primary aspects of ACA reporting and 1095 filing for you and your clients, including:

- **ACA reporting basics**
- **Businesses affected (insured and self-insured)**
- **Definition of “applicable large employer” (ALE)**
- **Understanding minimum essential coverage**
- **Which 1095 forms to file, with tips on proper completion**
- **Deadlines and filing penalties**
- **E-filing as an efficient and secure solution**

ACA reporting basics

Under the ACA, the IRS requires information reporting for certain large employers and smaller, self-insured employers. These requirements are mandated by two sections of the Internal Revenue Code. Together, they ensure that employers report health insurance coverage information to the IRS and furnish statements to employees annually. The reported information summarizes who was offered coverage and whether the insurance meets all ACA specifications, including affordability.

Section 6055 reporting requirements apply to health insurance carriers, small employers that sponsor self-funded health plans and other entities that provide minimum essential coverage.

Section 6056 reporting requirements are directed toward applicable large employers (ALEs), which generally include employers with 50 or more full-time employees or full-time equivalent employees (FTEs). Section 6056 also requires ALEs to share coverage details with employees so they can determine if they qualify for a premium tax credit.

Tax code sections 6055 and 6056 – and the related 1095 reporting forms – are designed to work in tandem to help the government enforce the Employer Shared Responsibility provisions. Basically, if an employer doesn't offer affordable health insurance that provides a minimum level of coverage to its full-time employees and their dependents, it may be subject to a penalty.





Businesses affected – What are ALEs?

Reporting responsibilities depend on employer size and type of insurance the employer maintains, whether insured or self-insured. (For clarification, a self-insured – or self-funded – employer pays for medical claims directly instead of paying premiums to an insurance provider.)

Applicable large employers

For the most part, the biggest impact with the ACA reporting requirements is with applicable large employers with 50 or more full-time or full-time equivalent employees.

An ALE may be a single entity or may consist of a group of related entities (such as parent and subsidiary, or other affiliated entities). If the combined number of full-time and full-time equivalent employees for the group is large enough to meet the definition of an ALE, then each employer in the group (called an ALE member) is part of an ALE – and subject to the Employer Shared Responsibility provision, even if it wouldn't be an ALE separately.

Because the definition of an applicable large employer includes full-time and full-time equivalent employees in a preceding calendar year, it's important to understand the distinctions.

Full-time employee: Averages at least 30 hours of service per week during the calendar month (or 130 hours in a calendar month).

Full-time equivalent employee: Combination of employees, each of whom is not treated as a full-time employee, but that, together, count as a full-time employee.



NOTE:

Hours of service represent each hour an employee is paid or entitled to payment, including vacation, leave, holiday, illness, incapacity, layoff, jury duty, military duty and other leaves of absence.

Smaller, self-insured employers and the 1095-B

There is considerably less reporting responsibility for smaller businesses, which the ACA defines as those with fewer than 50 full-time employees.

Self-insured businesses will need to fill out the 1095-B (and 1094-B transmittal form) to report the name, address and Social Security number (or date of birth) of employees and family members who have coverage under the plan.

Small businesses that aren't self-insured don't need to file anything.

Because the number of employers that fall under this category is minimal, this white paper focuses primarily on ALEs and their responsibilities.

3 steps to determine the number of full-time equivalent employees (FTEs) for a month:

- 1 Calculate the total part-time service hours in a month.
(up to 120 hours per employee)
- 2 Divide the total by 120.
- 3 If this results in a fraction, round down to the next whole number.

example:

If 7 employees work 20 hours/week, the employer would have 4 FTEs.

7 employees X 20 hours/week = 140 hrs/wk
140 X 4 wks/month = 560

560 hours ÷ 120 = 4.66

4.66 rounded down = 4 FTEs

COMPLIANCE INSIGHT

Keeping track of the number of full-time and full-time equivalent employees, as it pertains to the ALE classification, is critical. This classification is determined each calendar year and depends on the average size of the employer's workforce in the previous year.

For hourly employees, employers must count the actual hours worked. For non-hourly employees, they should count either: 1) the actual hours worked, 2) days worked equivalence – 8 hours for each day with at least one hour of service

or 3) weeks worked equivalence – 40 hours for each week with at least one hour of service. Not included in the calculation are independent contractors, certain variable-hour workers, seasonal employees working 120 days or less in a year, and COBRA and retired enrollees.

Calculating employee hours for ACA reporting is a huge undertaking. For this reason, many employers will rely on dedicated time-tracking software or choose to outsource this responsibility to a payroll vendor or benefits administrator.



Understanding minimum essential coverage

For purposes of reporting, minimum essential coverage, or MEC, refers to a legally definable level of coverage.

An employer may be penalized if it doesn't offer minimum essential health coverage to at least 95% of its full-time employees and their dependents, and at least one full-time employee received a premium tax credit through the Health Insurance Marketplace.

For calendar year 2024, the per-employee penalty, Section 4980H(a), for not offering minimum essential coverage to eligible employees increased to \$2,970 annually per full-time employee (minus the first 30 FTEs).

A second type of penalty, Section 4980H(b), may be imposed if an employer offers minimum essential coverage, but the coverage wasn't affordable or didn't provide the ACA standard for minimum value. This penalty has been increased to \$4,460 annually per full-time employee who receives a tax credit per FTE for calendar year 2024.

The IRS continues to send out Letter 226J to notify employers of proposed penalty assessments. To date, over 30,000 letters have been sent levying over \$4 billion in fines.

Most broad-based medical plans meet the legal parameters for MEC and minimum actuarial value (where the plan pays for at least 60% of covered benefits). In 2025, the health plan affordability threshold, used to determine if an employer's lowest-premium health plan meets the Affordable Care Act's (ACA's) affordability requirement, will be 9.02% of an employee's household income.

Minimum essential coverage includes:

- **Government-sponsored programs** Medicare part A, most Medicaid programs, CHIP, most TRICARE, most VA programs, Peace Corps, DOD Non-appropriated Fund Program
- **Employer-sponsored coverage** In general, any plan that is a group health plan under ERISA, which includes both insured and self-insured health plans
- **Individual market coverage** Includes qualified health plans enrolled in through the federally facilitated and state-based marketplaces, and most health insurance purchased individually and directly from an insurance company
- **Grandfathered plans** Generally, any plan that existed before the ACA became effective and has not changed
- **Miscellaneous MEC** Other health benefits coverage recognized by the Department of Health and Human Services as MEC

Minimum essential coverage does not include fixed-indemnity coverage, life insurance or dental or vision coverage.

ACA Compliance During the COVID-19 Pandemic

During the COVID-19 pandemic, many businesses are making the difficult decision of laying off or furloughing employees. (A furlough is a temporary break in work that is unpaid.) Whether or not an employee continues to receive benefits under this arrangement, however, is up to the employer. And if you choose to maintain health coverage for these employees, you need to understand the ACA compliance implications.

The key consideration is whether a furloughed employee is deemed a full-time employee under your stability period (typically a 12-month calendar year in which insurance coverage is offered).

During this time, you may use one of two methods to determine full-time status:

- **Monthly measurement method** — Employee works 130 hours or more a month.
- **Look-back measurement method** — Employee is considered full-time going forward (the stability period), based on the employee working 30 hours per week in a prior period, called the measurement period. In between this is the administrative period that gives you time to facilitate the employee's enrollment. This is a smarter approach with variable-hour employees whose schedules are unpredictable.

ACA Compliance During the COVID-19 Pandemic Continued...

An employee who is deemed full-time during the stability period remains full-time, even when furloughed. And this is where employers may encounter difficulties, particularly if they offer COBRA coverage during this time, which is typically not affordable. In this case, you run the risk of penalties for failing to offer affordable health insurance.

To avoid these penalties, carefully review your health insurance plan policies to verify whether furloughed employees are covered and make any necessary changes.

Exceptions to the Full-Time Designations

Be aware of a few ACA rules that disqualify certain furloughed employees from full-time designation. Under the 13-week rule, if an employee has not worked at least one hour of service during a 13-week period, you may treat them as a new employee when they return to work. (And if you're an educational organization, you may use a 26-week period instead of 13 weeks.)

There's also the rule of parity. If an employee has no hours of service for at least four weeks and this period, measured in weeks, is greater than the period of work immediately before the break, the employee can be considered a new employee when they return to work.

Under these rules, you can treat furloughed employees as terminated employees and subsequently hire them back. Your remaining stability period would not apply to those employees.



1095-C filing for ALEs

To satisfy the reporting requirements, fully insured and self-insured applicable large employers must complete Form 1095-C (and the 1094-C transmittal form) for all full-time employees. Self-insured plans also have to provide information on other covered individuals, such as retirees and former employees on COBRA.

Employers with fully insured plans must complete Parts I and II of the 1095-C, while those with self-insured plans will complete Parts I, II and III.

PART I Employee; Applicable Large Employer Member

PART II Employee Offer and Coverage (including Plan Start Month)

PART III Covered Individuals



1095-C at a glance

To report the necessary information to the IRS and furnish a form to employees, employers will need to capture:

- Who is a full-time employee for each month
- Identifying information for the employee, such as name, address and Social Security number (SSN)

COMPLIANCE INSIGHT

The bulk of the work in completing the 1095-C will be with Lines 14-16 in Part II. Although the subject is too complex to cover fully in this white paper, there are a few points to keep in mind.

The “Offer of Coverage” on **Line 14** (Codes 1A-1S) helps describe whether or not minimum essential coverage was offered to an employee, spouse and/or any dependents.

Employers will generally report the monthly employee contribution for the lowest-cost health option for self-only coverage on **Line 15**. This allows the IRS to determine if affordable coverage was made available to the employee.

Line 16 (Codes 2A-2I) clarifies issues such as whether an individual was employed during the month, whether the employee was eligible and/or enrolled in coverage, if any affordability safe harbors applied when an employee declined coverage and if the employee was in a waiting period or other limited non-assessment period for which the employer wouldn't be liable for a penalty.

- Identifying information for the employer, such as name, address and Employer Identification Number (EIN)
- Information about the health coverage offered by month, if any
- The employee's share of the monthly premium for lowest-cost, self-only minimum value coverage
- Months the employee was enrolled in coverage
- Months the employer met an affordability safe harbor with respect to an employee and whether other relief applies for an employee for a month
- If the employer offers a self-insured plan, information about the covered individual's enrollment in the plan (including spouses and dependents), by month; this information includes Social Security numbers or, if these numbers aren't available, date of birth

Form 1095-C (2024) b00320 Page 3

Part III Covered Individuals
If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee. ☐

(a) Name of covered individual(s)
First name, middle initial, last name

(b) SSN or other TIN
TIN is not available

(c) DOB (if SSN or other TIN is not available)

(d) Covered (all 12 months)

(e) Months of coverage

Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec

Form 1095-C **Employer-Provided Health Insurance Offer and Coverage** ☐ VOID ☐ CORRECTED **2024**
OMB No. 1545-2251
Do not attach to your tax return. Keep for your records.
Go to www.irs.gov/Form1095C for instructions and the latest information.

Part I Employee

1 Name of employee (first name, middle initial, last name)

2 Social security number (SSN)

3 Name of employer

4 Street address (including apartment no.)

5 State or province

6 Country and ZIP or foreign postal code

7 City or town

8 State or province

9 Country and ZIP or foreign postal code

10 Contact telephone number

Part II Employee Offer of Coverage

11 Offer of Coverage (enter required code)

12 Employee's Age on January 1

13 Plan Start Month (enter 2-digit number)

14 Offer of Coverage (enter required code)

15 Employee's Share of the Monthly Premium for Lowest-Cost, Self-Only Minimum Value Coverage

16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)

17 ZIP Code

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cut No. 40705M Form 1095-C (2024)

1094-C at a glance

The 1094-C transmittal form represents the total 1095-C filings submitted for the season. Acting as a cover sheet, it includes:

- Identifying information for the organization, such as name, address and Employer Identification Number (EIN)
- Information about whether the organization offered coverage to at least 95% of its full-time employees and their dependents
- Total number of 1095-Cs issued to employees
- Information about members of the aggregated applicable large employer group, if any
- Full-time employee counts by month
- Total employee counts by month
- Whether an organization is eligible for certain transition relief (including certifications)

The image displays three overlapping 1094-C forms. The topmost form is the cover sheet, titled "Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns" for the year 2024. It includes fields for the organization's name, address, EIN, and a section for "Applicable Large Employer Member (ALE Member)" information. The middle form is "Part III ALE Member Information - Monthly", which contains a table for reporting employee counts and coverage information for each month. The bottom form is "Part IV Other ALE Members of Aggregated ALE Group", which is a table for listing other members of the aggregated group. The forms are shown in a layered fashion to illustrate their relationship and how they collectively provide a comprehensive overview of an organization's health insurance offerings.



1095-C filing pointers

As you might imagine, the information-gathering process is challenging for many businesses. To capture all the data required for 1095 reporting, they need to pull from four major sources or internal departments: HR, payroll, benefits and time and attendance management. This requires careful coordination, sharing and monitoring to complete the forms accurately and on time.

Strict security is also necessary. Because the employee's name and health insurer appears on the same form, the data is considered protected health information (PHI). Using a solution that is SOC-certified and HIPAA-compliant, such as [efile4Biz.com](https://efile4biz.com), can provide an added layer of protection with this type of data.

A few essential do's and don'ts will ensure a smooth filing process for you and your clients:

DO recommend that employers notify their employees that they will be receiving a 1095-C and may need information from it to complete their previous year tax filing.

DO file corrected returns as soon as possible after an error is discovered.

DO file Form 8809, if necessary, for a 30-day extension for filing with the IRS. No signature or explanation is necessary for this extension. A 30-day extension for providing forms to employees, however, is only available by sending a signed letter to the IRS with the reason for the delay.

DON'T file more than one 1095-C per employee. If an organization has different divisions with different benefits – and an employee moves between divisions during the year – you'll need to consolidate data onto one 1095-C.

DON'T file more than one 1094-C authoritative transmittal.



Filing deadlines

February 28, 2025 – IRS paper-filing deadline

March 3, 2025 – Recipients/employees deadline

March 31, 2025 – E-filing deadline

Avoiding penalties

Employers can pay a high price for failing to comply with ACA reporting requirements.

The penalty for failure to file a correct information return is separate from the penalty for failure to furnish the correct payee statement. For example, if you fail to file a correct 1095-C with the IRS and don't provide a correct statement to the payee, you may be subject to two separate penalties. The maximum amount of penalty you can potentially incur in the calendar year can reach into the thousands. Also, interest charges will accrue on the penalties. The date interest charges will begin varies by the penalty type and amount. Interest increases the amount you owe until you pay your balance in full.

REPORTING PENALTY	AMOUNT OF PENALTY <small>There is no statute of limitations if you never file; otherwise it is limited to 3 years.</small>
Failure to file with the IRS Section 6721	\$330/form \$3,987,000 calendar year maximum
Failure to furnish a recipient copy Section 6722	\$330/form \$3,987,000 calendar year maximum
Filed/furnished after August 1 or not at all Combined calendar year maximum	\$330/form \$7,974,000 (\$2,658,000 for small businesses)
Intentional disregard to file/furnish	\$660/form No calendar year maximum



Why e-filing is the ideal solution

We live in an increasingly fast-paced and digital world. As we replace outdated, manual processes with faster, more efficient electronic options, it's not surprising that tax filing is experiencing the same shift. Businesses are no longer restricted to time-consuming and cumbersome paper filing of their taxes. Instead, they can turn to reputable, IRS-authorized e-file providers such as [efile4Biz.com](https://www.efile4biz.com) to file taxes online "in the cloud."

Need help meeting the demands of these ACA reporting requirements for your clients? Choose the all-inclusive print, mail and e-file services for quick, efficient and secure e-filing for ACA forms (in addition to 1099s and W-2s). There's no software to download and no forms to purchase, so you enjoy streamlined, one-step processing. Plus, seamless integrations with apps you already use to run your business, including QuickBooks and Xero, allow you to connect and import data in seconds.



To learn more about ACA Reporting and the advantages of our all-inclusive solution, visit:

[www.efile4Biz.com](https://www.efile4biz.com)

Sources:

1. <https://www.irs.gov/affordable-care-act/employers/information-reporting-by-applicable-large-employers>
2. <https://www.irs.gov/government-entities/federal-state-local-governments/increase-in-information-return-penalties-2>
3. <https://www.irs.gov/affordable-care-act/employers/aca-information-center-for-applicable-large-employers-ales>
4. <https://www.irs.gov/pub/irs-pdf/f1095b.pdf>
5. <https://www.irs.gov/pub/irs-pdf/f1095c.pdf>
6. <https://www.gpo.gov/fdsys/pkg/FR-2014-02-12/pdf/2014-03082.pdf>



Appendix

Here we address common situations that you may face when completing ACA reporting forms. This guidance will help you complete your filings correctly.

How to ...

File the 1094-C with Forms 1095-C

A Form 1094-C must be filed when an ALE Member files one or more Forms 1095-C. An ALE Member may choose to file multiple Forms 1094-C, each accompanied by Forms 1095-C for a portion of its employees – provided that a Form 1095-C is filed for each required employee.

If an ALE Member files more than one Form 1094-C, one of the forms filed must be identified on Line 19, Part I, as the Authoritative Transmittal. And, on the Authoritative Transmittal, the ALE Member must report certain aggregate data for all full-time employees and all other applicable employees.

Scenario: Employer A, an ALE Member, files a single Form 1094-C, attaching Forms 1095-C for each of its 100 full-time employees. This Form 1094-C should be identified as the Authoritative Transmittal on Line 19, and the remainder of the form completed as indicated in the instructions for Line 19, later.

Scenario: Employer B, an ALE Member, files two Forms 1094-C, one for each of its two operating divisions, Division X and Division Y. (Division X and Division Y are units of the same ALE Member, and both report under the same Employer Identification Number, and they are not members of an Aggregated ALE Group.)

- Attached to one Form 1094-C are Forms 1095-C for the 200 full-time employees of Division X
- Attached to the Form 1094-C are Forms 1095-C for the 1,000 full-time employees of Division Y

One of these Forms 1094-C should be identified as the Authoritative Transmittal on Line 19 and should include aggregate employer-level data for all 1,200 full-time employees – as well as the total number of employees (as required in Parts II, III, and IV of Form 1094-C).

How to File the 1094-C with Forms 1095-C Continued...

The other Form 1094-C should not be identified as the Authoritative Transmittal on Line 19 and should report on Line 18 only the number of Forms 1095-C that are attached to that Form 1094-C. The remaining sections of the form should be left blank.

Note: Each ALE Member must file its own Forms 1094-C and 1095-C under its own separate EIN, even if the ALE Member is part of an Aggregated ALE Group. No Authoritative Transmittal should be filed for an Aggregated ALE Group.

How to ...

Complete Lines 20-22 on the 1094-C

Lines 20–22 should be completed only on the Authoritative Transmittal for the ALE Member.

Line 20: Enter the total number of Forms 1095-C that will be filed by or for the ALE Member. This includes all Forms 1095-C that are filed with this transmittal, including those filed for individuals who enrolled in the employer-sponsored, self-insured plan – as well as any Forms 1095-C filed with a separate transmittal filed by or for the ALE Member.

Line 21: If during any month of the calendar year the ALE Member was a member of an Aggregated ALE Group, check “Yes.” If you check “Yes,” also complete the “Aggregated Group Indicator” in Part III, column (d), and then complete Part IV to list the other members of the Aggregated ALE Group. If, for all 12 months of the calendar year, the employer was not a member of an Aggregated ALE Group, check “No,” and do not complete Part III, column (d), or Part IV.

Line 22: If the ALE Member meets the eligibility requirements and is using one of the Offer Methods, the applicable box must be checked. Note that if the ALE Member is eligible to use the Qualifying Offer Method, it can be reported on Form 1095-C by entering the Qualifying Offer code 1A on Form 1095-C, Line 14, for any month for which it made a Qualifying Offer to an employee – even if the employee did not receive a Qualifying Offer for all 12 calendar months. However, if the Qualifying Offer is for less than all 12 months, the ALE Member must furnish a Form 1095-C copy to the employee.

Scenario: John began employment with Ace Construction on January 1. John was in a health coverage waiting period until April 1 and a full-time employee for the remainder of the year. (Note that an employer shared responsibility payment can't apply because John is in a Limited Non-Assessment Period.) Ace Construction makes a Qualifying Offer to John for coverage beginning April 1 and for the remainder of the calendar year.

How to Complete Lines 20-22 on the 1094-C Continued...

Ace Construction is eligible to use the Qualifying Offer method because it has made a Qualifying Offer to at least one full-time employee for all months in which both

1. The employee was a full-time employee, and
2. An employer shared responsibility payment could apply with respect to the employee

Ace Construction may use the alternative method of completing Form 1095-C under the Qualifying Offer Method for John. However, Ace Construction may not use the alternative method of furnishing Form 1095-C under the Qualifying Offer Method because John didn't receive a Qualifying Offer for all 12 months of the calendar year.

How to ...

File 1095-C Forms for Multiple Divisions

For each full-time employee of an ALE Member, there must be only one Form 1095-C filed for employment with that ALE Member.

Scenario: Johnson Electric, an ALE Member, separately reports for each of its two divisions. In this case, the employer must combine the offer and coverage information for any employee who worked at both divisions during the calendar year so that a single Form 1095-C is filed for the calendar year. This reports information for all 12 months of the calendar year.

Scenario: A full-time employee who works for more than one ALE Member that is a member of the same Aggregated ALE Group must receive a separate Form 1095-C from each ALE Member. For any calendar month in which a full-time employee works for more than one ALE Member of an Aggregated ALE Group, only one ALE Member is treated as the employer of that employee for reporting purposes (generally, the ALE Member for whom the employee worked the greatest number of hours of service) – and only that ALE Member reports for that employee for that calendar month.

The other ALE Member is generally not required to report for that employee for that calendar month. That is unless the other ALE Member is otherwise required to file Form 1095-C for that employee because the individual was a full-time employee of that ALE Member for a different month of the same calendar year. In this case, the individual may be treated as not employed by that ALE Member for that calendar month.

How to ...

Know Which 1095-C Codes to Use for Staff Enrolled in Your Health Plan

Determining the code to use depends on the coverage offered, the plan selected and other employment situations.

Line 14: These codes are used to record if you offered coverage to your staff, the type of coverage and the months it was offered. Employers must use the correct code based on the lowest cost, minimum value (MV) and minimum essential coverage (MEC) plan that was offered regardless of if the employee enrolled.

If a MEC plan with MV was offered to a worker whose contribution was equal or less than 9.5% of the mainland single federal poverty Line – and the plan was offered to the employee's dependents (e.g., spouse and children) – use code 1A.

Scenario: Clancy Carpets offered its employee, Ted, a choice of two MEC plans with MV. The plans were also offered to Ted's family. Ted selects the more expensive family option at \$400 per month. However, the other family plan would have cost \$100. Clancy Carpets should use the \$100 plan when completing Ted's 1095-C because it was the least expensive plan available.

Line 15: If you used code 1A in Line 14, leave Line 15 blank. If you selected codes 1B, 1C, 1D, 1E, 1J, or 1K in Line 14, fill out the employee share of the cost for the lowest cost MEC, MV plan offered to your employee, regardless of which plan he or she enrolled. If the employee's share of the cost was zero and you did not offer an MEC plan to their family, enter 0.00 in Line 15.

Line 16: If you aren't meeting ACA obligations through a third-party (e.g., a union), use code 2C.

How to ...

Complete Section 4980H on the 1095-C

Enter the number of full-time employees for each month, but do not count any employee in a Limited Non-Assessment Period. An employee should be counted as a full-time employee for a month if he or she satisfied the definition of “full-time employee” under the monthly measurement method or the look-back measurement method on any day of the month.

Scenario: Awesome Party Rentals uses the look-back measurement method to determine the full-time status of its employees. One of its employees, Kathleen, who is not in a Limited Non-Assessment Period, averaged over 130 hours of service per month during the measurement period that corresponds with the stability period starting January 1, 2022, and ending December 31, 2022. Kathleen quits her job on February 15, 2022. Awesome Party Rentals must include Kathleen in the number of full-time employees reported in column (b) for January and February.