

BENEFITSCAPE

ACA TY24:
EVERYTHING YOU
EVER WANTED
TO KNOW *

* But were too afraid to ask !

BENEFITSCAPE

YOUR PATH TO BENEFITS NIRVANA!

December 2024

An introduction from Kim Phillips

If you read only one ACA Compliance & Reporting guide this tax year, please make sure it's this one! There are plenty of guides out there. Lots contain errors, some are just plain wrong, and more and more are loosely AI-generated. Most are confusing, to say the least.

As if ACA governance, risk management & compliance weren't time-consuming and complicated enough! Even the name is confusing.

Is PPACA the same as ACA?

[The answer, by the way, is yes. ACA is just a shorter abbreviation for the Patient Protection and Affordable Care Act of 2010.]

So as IRS deadlines accelerate toward us all, we've done our best in this guide to keep things short. What follows are the key IRS changes for TY24, a few practical tips & some common errors to avoid.

If you have questions not covered here – from troubleshooting HCM data to filing after a merger or acquisition – please don't hesitate to contact BENEFITSCAPE. We are the leading ACA specialists offering employers a unique combination of benefits experience, compliance expertise, and data science, including deep understanding of HCM software, whatever HCM you're on.

Our ACA Managed Services and ACA_REGTECH run intelligent diagnostics and other extended functionality on all HCM systems to deliver streamlined, accurate & hassle-free ACA reporting.

Whatever your ACA needs, BENEFITSCAPE has you covered.

Kim Phillips

BENEFITSCAPE CO-FOUNDER & CEO

ACA TY24: KEY IRS CHANGES, TIPS & COMMON ERRORS

REALLY, NO MORE PAPER FILINGS!

For TY23, the IRS had already reduced the maximum number of paper returns per Applicable Large Employers [ALE] to 10, down from 250. TY24 is no different. All ALEs need to e-file FORM 1094-C and all FORMs 1095 via the **IRSAIR System** [IRS ACA Information Returns].

If you are a member of a Multiple Employer Welfare Arrangement [MEWA], it doesn't matter that your own company may be only a handful of people. You still have to e-file as part of the MEWA.

» **TIP: Transmitter Control Codes.** Only IRS-certified e-filers can file via IRSAIR. If your organization does not have an IRS Transmitter Control Code [TCC], it is important to confirm your ACA vendor does. BENEFITSCAPE provides a TCC-certified filing service for employers. Securing a TCC can be a time-consuming and difficult process. So plan ahead and don't get caught out.

» **NOTE: The TY24 IRS e-filing deadline is April 1, 2025.**

Batch processing of IRS submissions means HCMs set earlier 'deadlines' than the IRS for filing FORMs 1094 & 1095. To avoid this, BENEFITSCAPE ACA Managed Services offer all employers individual IRS submissions, regardless of which HCM is used, organizing the process around them.

COMMON ERRORS: FORM 1094-C

All ALEs must submit a **FORM 1094-C** to the IRS providing basic information about the employer's organization and its health coverage for employees.

Employees do not get sent this form.

Most errors on FORM 1094-C occur in **Part III, Column [a]**, which captures whether the ALE offered medical coverage to at least 95 percent of its full-time employees in each month of the calendar year. See the TIP below. [Also see the section on **ELIGIBILITY & FULL-TIME STATUS.**]

» **TIP: FORM 1094-C Part III, Column [a]** should be carefully reviewed before submission to the IRS. The most common error is as follows: employers or their reporting vendors indicate 'YES' in the initial 'All 12 Months' check box, but then [perhaps understandably] leave the subsequent month-by-month boxes blank. If 'All 12 Months' is ticked 'YES', then all the other, month-by-month boxes in Column [a] must be ticked 'YES' too. [See image below.]

		(a) Minimum Essential Coverage Offer Indicator		(b) Section 4980H Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Reserved
		Yes	No				
23	All 12 Months	<input checked="" type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
24	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25	Feb	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
26	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Read more about FORM 1094 at [ACA CENTRAL](https://www.benefitscape.com/aca-central/irs-reporting-form-1094-c/) on BENEFITSCAPE.com by clicking here. [link: [benefitscape.com/aca-central/irs-reporting-form-1094-c/](https://www.benefitscape.com/aca-central/irs-reporting-form-1094-c/)].

COMMON ERRORS: FORMs 1095-C

FORMs 1095-C are specific to each individual employee of an ALE eligible for an Offer of Coverage under the ACA; in other words, all employees with full-time status for at least one month of the reporting tax year 2024.

Part II of FORM 1095-C identifies for each month whether an Offer of Coverage was made, the employee's own contribution amount [for self-only coverage], and an IRS Code denoting this offer and coverage status of the employee.

For an explanation of all IRS ACA Codes, go to [ACA CENTRAL](https://www.benefitscape.com/aca-central/irs-reporting-aca-codes/) [link: [benefitscape.com/aca-central/irs-reporting-aca-codes/](https://www.benefitscape.com/aca-central/irs-reporting-aca-codes/)]. Error-free IRS coding is just one of the end-to-end **ACA Managed Services** offered by BENEFITSCAPE and verified by **ACA_REGTECH**. You can read more about **ACA_REGTECH** by clicking here [link: [benefitscape.com/aca-services.](https://www.benefitscape.com/aca-services/)]

FORMs 1095-C must be created, completed, and sent to employees by the ALE, which must also then submit them to the IRS, along with the transmittal form. If an employee had full-time status for at least one month of TY24, all months must be coded on that employee's form.

» **NOTE: The TY24 deadline for FORM 1095-C distribution is Jan 31, 2025.**

All state-mandated deadlines can be found on [ACA CENTRAL](#) at BENEFITSCAPE.com by clicking here [link: benefitscape.com/aca-central/state-aca-mandates/].

The most common **FORM 1095-C errors and questions** are as follows:

- **LINE 16 of FORM 1095-C** must never be left blank if an applicable IRS Code is available. If Offer of Coverage qualifies as affordable but is waived by the employee, the employer should still enter an Affordability Code.

If Code 1A (Qualifying Offer) is entered in LINE 14, then enter Code 2G (Federal Poverty Line Safe Harbor) in LINE 16 (even if the instructions seem to indicate a Code is not necessary).

- **Short-term employees working 30 or more hours/week** are considered full-time employees under the ACA, even if they only work 3 or 4 months and however classified (for example, short-term, temporary, interns, or co-op employees).

They are NOT considered 'Variable Hour Employees'.

- **'Variable Hour (VH) Employee'** is an ACA term referring to a new hire for who, at time of hire, the employer cannot reasonably determine whether the employee will work full-time hours. It is usually used with the Look Back method [see below] for determining full-time status.
- **Self-employed individuals** are not considered W-2 employees for ACA employer mandate purposes, and no FORM 1095-C is required. Self-employed status includes a sole proprietor, a partner in a partnership, and a 2-percent S corporation shareholder.

You can read more about **FORM 1095-C** and how it differs from **FORM 1095-B** by clicking here or visiting [ACA CENTRAL](#) [link: benefitscape.com/aca-central/irs-reporting-forms-1095-b-c/].

Whatever your ACA needs, from troubleshooting data to final IRS e-filing, or anything in between, and whatever HCM or HCMs your organization operates, BENEFITSCAPE has you covered.

ELIGIBILITY & FULL-TIME STATUS

For TY24, in common with previous years, ALEs are required to provide an Affordable Offer of Coverage meeting both Minimum Essential Coverage [MEC] and Minimum Value [MV] to at least 95% of their **Full-Time Employees**. This means a value deemed comparable to insurance available on the open market and Affordable [see below] based on their wages. ALEs therefore need to know which employees qualify as full-time.

» **NOTE: Full-Time Equivalent** [FTE] employee measures are not relevant here – only actual full-time status. Full-time equivalency is only used to determine an employer's ALE status. You can learn more about ALE status on **ACA CENTRAL** by clicking here [link: <https://www.benefitscape.com/aca-central/calculating-ale-status/>].

IRS 'Full-Time' Definitions & Methods: A Full-Time Employee is one who works at least 30 hours of service a week or 130 hours a month. For this purpose, 'hours' include each hour an employee is paid or entitled to payment for performing duties for the employer or entitled to payment even if no work is done (such as paid vacation or sick time).

The IRS approves two methods for determining an employee full-time status: the **Monthly Measurement Method** and the **Look Back Method**.

- **Monthly Measurement Method:** Recommended for employers with more structured workforces and a majority of Full-Time Employees. The advantages of Monthly Measurement are efficiency and accuracy, reducing the end-of-year resource burden as well as enabling monthly error diagnostics and pro-active risk management.
- **Look Back Method:** Suited to employers with less clearly structured workforces and a shifting mix of part-time, full-time, and even seasonal employees. The Look Back Method is required to process eligibility for **Variable Hour employees** [see above].

For a full explanation of both these methods, go to **ACA CENTRAL** on BENEFITSCAPE.com by clicking here [link: [benefitscape.com/aca-central/eligibility-management-full-time-employee-status/](https://www.benefitscape.com/aca-central/eligibility-management-full-time-employee-status/)]. BENEFITSCAPE **ACA Managed Services** include both methods depending on which fits the employer's needs best. **ACA_REGTECH** runs diagnostics & data visualization to support accurate and efficient eligibility management for variable workforces and complex hours tracking.

BENEFITSCAPE is your path to BENEFITS & ACA NIRVANA!

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IRS AFFORDABILITY THRESHOLD FOR TY24

As stated above, the employer's Offer of Coverage to eligible employees must be Affordable. The offer is deemed Affordable if the employee's required contribution for self-only coverage in the employer's lowest cost plan does not exceed a specified percentage of the employee's household income (even if the employee is enrolled in family coverage).

» **NOTE: The IRS Affordability Threshold for TY24 was set at 8.39%.**

Because employers do not know their employees' household incomes, the ACA permits employers to determine affordability using certain **Safe Harbor Methods** as a proxy for household income.

ALEs are not required to use the same **Safe Harbor Method** for all Full-Time Employees. Different methods may be used for different business classifications as specified in the ACA regulations. But within each classification these **Safe Harbor Methods** must be applied consistently; ALEs can't apply different methods on an employee-by-employee basis.

» **TIPS: Choosing a Safe Harbor Method:**

- **W-2:** This Safe Harbor method generally maximizes the employee's contribution. **It works well:** for a workforce with earnings that can be predicted with some certainty, and whose contributions can be structured as a percentage of weekly earnings. **On the down side:** this method can only be calculated after the close of the calendar year and is based on the employee's income reported in W-2 BOX 1.
- **RATE OF PAY:** This method calculates affordability on a monthly basis, using the employee's hourly rate of pay on the first day of the plan year. **This method works well:** for employers with a significant number of hourly employees. **On the down side:** this method cannot be used for tipped and commission employees; and the Rate of Pay calculation is limited to 130 hours of service/month.
- **FEDERAL POVERTY LEVEL (FPL):** This is the simplest method but requires the highest employer contribution of the three Safe Harbors.

For more information about Affordability, including Safe Harbors and up-to-date FPL data, please visit BENEFITSCAPE [ACA CENTRAL](https://benefitscape.com/aca-central/affordability-safe-harbors/) by clicking here [link: benefitscape.com/aca-central/affordability-safe-harbors/].

» **TIP: Medical opt-out and wellness program incentives** can impact Affordability calculations and need to be properly structured to manage this impact.

» **NOTE: Affordable Coverage & IRS Penalties:** The potential penalty ALEs face for unaffordable coverage is the penalty for non-compliance of **IR CODE 4980H[b]** also known as '**PENALTY B**'. See **ACA CENTRAL** [link: benefitscape.com/aca-central/irs-226j-penalty-letters/].

All **PENALTY B** risk exposure lies with eligible employees who have waived coverage, since this penalty is not automatic and triggered only when an employee who has waived [unaffordable] coverage on offer then enrolls in a **Health Insurance Marketplace** [also called Exchanges] to purchase coverage and benefit from a federal premium tax credit lowering monthly payments.

Employees enrolled in unaffordable coverage [FORM 1095-C Line 16, Code 2C] do not automatically trigger **PENALTY B**, since they are not enrolled in a **Health Insurance Marketplace** with federal premium tax credit assistance.

TECH + EXPERTISE – RISK = ACA COMPLIANCE

No HCM, even with an advanced ACA module, does all the ACA work for you. Of course not. Technology is a tool, even in the age of AI. In fact, even the magic worked on your HCM data by BENEFITSCAPE's advanced and intelligent **ACA_REGTECH** is not a blind plug and play. Nothing totally replaces human expertise. Specially for matters of compliance. Well, not yet at least!

You must be confident your ACA vendor has the proven experience of **ACA governance, risk management & compliance** to take on board the latest IRS regs & requirements as well as your company's unique business rules, health plan provisions, and employee population.

» **NOTE: ACA Compliance & Reporting** has a lot of precise rules, which are regularly updated by the IRS. But is it not an exact science, since no two employers have exactly the same needs or circumstances, and ACA reporting is the most granular employee data your HCM will ever have to process. All ACA filings need expert compliance oversight however intelligent the technology.

» **FINAL TIP:** Do not green light IRS filing unless you are 100% confident any gaps or other potential data issues have been addressed. It is much more time-consuming and costly to put things right later. That's why BENEFITSCAPE **ACA_REGTECH** runs Flag & Fix diagnostics throughout the ACA process and a full **IRS Filing Simulation** prior to all final submissions.

ACA TY24: NOTES

Whatever your ACA needs, from troubleshooting HCM data flows to final IRS e-filing, or anything in between, and whatever HCM or HCMs your organization operates, **BENEFITSCAPE** has you covered.

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