

Reminder to Check Your Form 1094-C Before Filing with IRS

February 16, 2023

PRACTICES Tax, Employee Benefits and Executive Compensation

Applicable large employers have until February 28, if paper filing, and March 31, if filing electronically, to submit their Forms 1094-C and 1095-C to the IRS for compliance with the ACA. The Form 1094-C is used, in part, to report to the IRS whether the employer has offered health coverage to at least 95% of its full-time employees. Most employers intend to meet this 95% threshold to avoid the large penalty amount that would be imposed under the ACA for noncompliance with its employer mandate. However, it is not uncommon for a service provider to make an error while completing this form, which could result in an employer incorrectly reporting that it did not achieve the 95% threshold. In that case, the IRS will send a notice of a proposed assessment of the employer shared responsibility penalty under the ACA. If the employer does not timely respond to this notice, the IRS will send an invoice for the entire penalty amount. Employers can avoid this issue by ensuring that the Form 1094-C correctly states that coverage was offered to at least 95% of its full-time employees for each month of the year. In addition, the Form 1094-C needs to be reviewed to ensure its overall accuracy. As a federal tax form, penalties generally apply if incorrect information is filed (e.g., similar to penalties that apply for filing incorrect Forms W-2). Please note that the IRS eliminated the transitional good faith relief from penalties that apply for incorrect or incomplete information reported on Forms 1094-C and 1095-C beginning with the 2021 tax year. Consequently, unintentional mistakes on these forms can result in significant penalties.