

The Affordable Care Act (ACA) added two employer reporting requirements to the Internal Revenue Code (Code), which will take effect for 2015 reporting:

- Code § 6056 requires applicable large employers (ALEs) to provide an annual statement to each full-time employee detailing the employer's health coverage offer (or lack of offer).
- Code § 6055 requires employers (any size) that provide minimum essential coverage (MEC) under a self-funded (self-insured) plan to provide an annual statement to covered employees and former employees (including information about covered dependents).

The IRS has issued Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, for ALEs to satisfy the reporting requirement under Code § 6056. If the employer self-funds its plan(s), the employer also will use Form 1095-C to satisfy the additional requirement under Code § 6055.

The IRS has created two sets of codes in order to provide employers with a consistent way to describe their offers of health coverage. Each code indicates a different scenario regarding an offer of coverage, or explains why an employer should not be subject to a penalty for a particular employee, for a given month.

- Code Series 1 is used for Line 14 of Form 1095-C and addresses:
 - Whether an individual was offered coverage.
 - What type of coverage was offered.
 - Which months that coverage was offered.
- Code Series 2 is used for Line 16 of Form 1095-C and addresses:
 - Whether the individual was employed and, if so, whether he or she was full time or part time.
 - Whether the employee was enrolled in coverage.
 - Whether the employer is eligible for transition relief as an employer with a non-calendar year plan or as a contributor to a union health plan.
 - Whether coverage was affordable and, if so, based on which IRS safe harbor.

The list that follows provides an overview of the codes, with descriptions, a brief explanation of when the code should be used, and a clarification of what the effect of choosing a particular code may be.

You can also access the full list of codes, along with descriptions, in the instructions for Form 1095-C.

Form 1095-C: Line 14 – Code Series 1

Code	What Does the Code Mean?	When Should I Use the Code?
1A	You made a Qualifying Offer : You offered Minimum Essential Coverage (MEC) with Minimum Value (MV) to the employee (EE). The offer is affordable because it's < or = to 9.5% of the single, mainland federal poverty line. You offered MEC to spouse + dependents.	<ul style="list-style-type: none"> You offer coverage to EEs, spouses and children. You offer MEC providing MV. Your coverage is affordable at the employee-only level because it's < or = to 9.5% of the single, mainland federal poverty line.
1B	You only offer coverage to EEs. The coverage is MEC and provides MV.	<ul style="list-style-type: none"> You exclude spouses + children from your plan.
1C	You offer coverage to EEs that is MEC and MV and offer MEC to EEs children. Spouses are not offered coverage.	<ul style="list-style-type: none"> You exclude spouses from your plan.
1D	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses. Children are not offered coverage.	<ul style="list-style-type: none"> You exclude children from your plan.
1E	You offer coverage to EEs that is MEC and MV and offer MEC to EEs spouses and children	<ul style="list-style-type: none"> The only difference between this code and 1A is that your coverage may not be affordable or it is affordable based on a safe harbor other than the federal poverty line.
1F	You offer MEC to the EE or EE + spouse and/or dependents but the coverage does not provide MV.	<ul style="list-style-type: none"> Your coverage does not provide MV.
1G	You offer self-insured coverage to an employee who was not full time at any point in the year.	<ul style="list-style-type: none"> You offer a self-insured plan. Non-full time employees are eligible for your plan. The employee was enrolled in the plan, for this month.
1H	You made no offer of coverage (or one that didn't provide MEC for the EE).	<ul style="list-style-type: none"> The EE was not yet hired. The EE was in a limited non-assessment period. The EE was otherwise ineligible for coverage. Your offer of coverage was not MEC. Your offer of coverage was not for an entire month.* The employee terminated and you offered COBRA.
1I	Qualifying Offer Transition Relief 2015: You did not offer EE + spouse or children coverage, or you offered non qualifying coverage, or the qualifying offer was for less than 12 months.	<ul style="list-style-type: none"> You made a qualifying offer for one or more months of 2015 to at least 95% of your full time employees (not counting those in a LNAP). This EE did not receive a qualifying offer for this month.

Important Note Regarding Affordability: References to affordability relate to affordability at the **employee-only coverage level**. It does not matter if the employee actually elects coverage for him or herself *and* a spouse or dependent. The IRS is only concerned with what the employee **would** have to pay if he or she elected coverage for him or herself alone.

***Offer of Coverage:** An *offer of coverage* is one that provides coverage for every day of a calendar month. There is an exception for terminated employees who would have been covered for the entire month, if not for the termination.

Form 1095-C: Line 16 – Code Series 2

Code	What Does the Code Mean?	When Should I Use the Code?
2A	You did not employ this person during the month.	<ul style="list-style-type: none"> The employee (EE) is not yet hired. The EE is no longer employed.
2B	The EE was not full time (FT) for this month.	<ul style="list-style-type: none"> The EE is part time. The EE is seasonal or variable hour. The EE is in a measurement period and his/her FT status is not yet established. (See Code 2D)
2C	The EE enrolled in the coverage you offered.	<ul style="list-style-type: none"> The EE accepts and enrolls in your offer of coverage. If you have an option between 2C and another code, use 2C.
2D	The EE was in a Limited Non-assessment Period (LNAP) for the month.	<ul style="list-style-type: none"> The EE is in a waiting period under the Monthly or Look-Back measurement method. The EE is in an initial measurement period under the Look-Back method. The EE is in the first calendar month of employment and did not start on the first day of the month. It is your first year as an applicable large employer (ALE). The EE has a change in status during his/her initial look-back measurement period.
2E	You are eligible for the multiemployer interim relief rule.	<ul style="list-style-type: none"> Some portion of your workforce is eligible for a multiemployer (union) plan. You make an ongoing contribution to the plan on behalf of union EEs.
2F	The coverage you offered is affordable based on the Form W-2 safe harbor.	<ul style="list-style-type: none"> Coverage is affordable for this EE based on the W-2 safe harbor method. You used the W-2 safe harbor for every month that the EE is offered coverage.
2G	The coverage you offered is affordable based on the Federal Poverty Line safe harbor.	<ul style="list-style-type: none"> Coverage is affordable to this EE based on the federal poverty line safe harbor method.
2H	The coverage you offered is affordable based on the Rate of Pay safe harbor.	<ul style="list-style-type: none"> Coverage is affordable to this EE based on the rate of pay safe harbor method.
2I	You are eligible for non-calendar year transition relief for this month, which applies to this EE.	<ul style="list-style-type: none"> You offer a non-calendar year plan and are eligible for associated transition relief. This EE was only eligible for a non-calendar year plan. You can't use this code if the EE is also eligible for a calendar year plan you offer.

Q: What code should I use if the employee was offered coverage but waived it, for any reason?

A: There is no specific code that applies when an employee waives an offer of coverage. We strongly recommend examining the other codes to see if one may apply. For example, if the employee waived coverage but that coverage was affordable based on an IRS affordability safe harbor, you should use the corresponding code for the safe harbor.

Unlike Line 14, Line 16 does not require a code to be entered. However, if one applies, you should enter it because it **provides an opportunity for you to explain to the IRS why you should not be penalized for an employee, for a given month.**

Note: More than one code can apply to an employee for a particular month; select the code which best fits the scenario. If the choice is between 2C and another code, the IRS recommends using code 2C.