

Act now

Some companies may be unaware of this year's ACA requirements

INTERVIEWED BY DENNIS SEEDS

The federal government may have granted a reprieve in 2015 for certain-sized employers from many of the mandates of the Affordable Care Act (ACA). It didn't, however, free them from others.

When the ACA was passed, there was concern that it would place a significant burden on smaller employers, so a one-year exemption was given for employers with fewer than 100 full-time equivalent employees (FTEs).

"Companies with at least 50 FTEs do have a requirement for the 2015 year," says Ted Ginsburg, a principal at Skoda Minotti. "Companies that have between 50 and 100 employees that thought they didn't have to worry about the ACA at all this year are in store for a costly surprise."

Smart Business spoke with Ginsburg about this year's ACA requirements that many employers may be missing.

What ACA requirements are in effect for 2015?

Companies that employ 50 to 99 FTEs are required to tell the federal government what insurance, if any, they are offering employees. Employers also are required to issue employees a 1095-C form for their 2015 federal income tax returns, which needs to be received by Jan. 31, 2016.

What should employers know about the ACA requirements going into 2016?

Employers that have between 50 and 99 FTEs must decide if they'll 'pay or play.' An employer that 'plays' will provide health insurance at a price that meets the ACA's minimum affordability standards to 95 percent of their full-time employees, a group that differs from FTEs. Employers that choose to 'pay' will offer the insurance

TED GINSBURG, CPA, JD

Principal
Skoda Minotti

(440) 605-7151
tginsburg@skodaminotti.com



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of their choice at the premium of their choice and risk paying a federal excise tax.

Both decisions come with costs and benefits. Employers must weigh several factors before making a choice.

How does a company calculate how many FTEs it has?

Companies can determine the number of FTEs they have based on their 2014 payroll. Employers are granted some flexibility in picking the time frame they'll use to determine which employees qualify as FTEs. During this look-back period, employers calculate the number of employees who worked 30 hours a week and those who worked less than that.

Under the ACA, a company with fewer than 50 FTEs is not required to offer health insurance to employees. It is important to keep the documentation used when calculating the FTEs should the IRS ever request to review it.

How substantial are the penalties for not offering health insurance?

There are two types of excise taxes. If a company with more than 50 FTEs does not offer health insurance that satisfies minimum essential coverage as defined by the ACA, and a full-time employee goes through the ACA exchange to secure insurance and receives a subsidy because

of low income, the employer will pay an excise tax of \$2,000 for all full-time employees after a stated reduction of the number of employees.

The second excise tax pertains to a company that offers health insurance to a stated percentage of its full-time employees that does not conform to the ACA's affordability or minimum value health insurance standards. In this case, for every full-time employee who goes to the exchange and receives a subsidy, there will be a \$3,000 excise tax.

What is important for companies to know about the ACA regulations going forward?

Companies that have fewer than 100 FTEs in 2015 and have not yet been subject to the ACA requirements need to determine, based on 2014 records, whether or not they have enough FTEs to fall under the ACA mandate for reporting to employees.

Companies with 50 FTEs going into 2016 must decide if they are going to 'pay or play' based on their situation.

All companies, regardless of size, should make sure they have adequate records to perform their annual filing for employees and be able to respond efficiently to any questions, should the IRS request information or issue penalties for noncompliance. ●