



# Simplifying the Affordable Care Act

## How to Streamline ACA Reporting with a Time and Attendance System

### Summary

Beginning in January 2015, the IRS requires monthly ACA-focused reporting from applicable large employers (ALEs). With new tax forms noted as “complex” and “detailed” by legal experts, collecting the right information could be a new headache for employers. The good news is technology can be a solution, especially a time and attendance system. Configured with ACA provisions in mind, a time and attendance system can directly assist with real reporting objectives, including identifying full-time and full-time equivalent employees, tabulating employee counts, providing updated employee identification information, and more.

## ACA's New Tax Forms

The Affordable Care Act went into effect for many applicable large employers in 2015. The IRS has introduced new ACA reporting forms employers must submit in 2016 covering information from the 2015 tax year. These are:

- **Form 1095-C: Employer-Provided Health Insurance Offer and Coverage Insurance**, to be filed by employers to verify adequate coverage for employees (or determine employees' tax credits if employers do not offer adequate coverage).
- **Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns**, which is a summary transmittal form.<sup>1</sup>

## "Complex and Detailed"

While drafts of the new forms were layered with complexities, experts hoped that the final forms would be more streamlined. In fact, the final forms were almost identical to the drafts, leaving employers to sift through confusing instructions, options and exemptions.

"The instructions for the 1094-C and 1095-C are by far the most complex," writes Professor Timothy Jost of the Washington and Lee University School of Law.

"Most of the complexity derives from the options for complying with the employer mandate and the transition exceptions to that mandate."<sup>2</sup>

"We hoped the IRS was finding a way to streamline and simplify the reporting forms and instructions employers will use... [for] ACA," said Elizabeth Vollmar of Lockton Compliance Services. "Those hopes were dashed...Reporting forms and instructions remain detailed and complex with many caveats, exceptions and special rules."<sup>3</sup>

## Technology as a Solution

Vollmar, like other experts, sees technology as a potential solution for employers struggling to comply with ACA's complicated reporting obligations: "Ideally, technology will take much of the reporting burden off of employers, automating significant portions of the data collection and reporting processes."<sup>4</sup>

In fact, employing a time and attendance solution can be particularly helpful in collecting and reporting ACA data, including:

- Which employees have full-time status each month
- Identification information for employees such as name and address
- Full-time employee counts for each month
- Total employee counts by month<sup>5</sup>



## How to Know If Your Time and Attendance System Can Help

How do you know if your time and attendance system can streamline your reporting tasks? Look for these characteristics:

- ☑ ***Automatically calculates employer's Applicable Large Employer status.*** The ALE designation determines whether employers are subject to the ACA's employer mandate, requiring the 1094-C and 1095-C tax reporting. Full-time and full time equivalencies must be determined by calendar month and calendar year, separately from individual employee full-time or part-time status. For seasonal businesses, monthly seasonal counts are also essential. It's important that your time and attendance system calculates the ALE status according to IRS guidelines.
- ☑ ***Automatically calculates employees' status: full-time or part-time.*** ACA considers a full-time employee one that works an average of 30 hours or more per week or 130 hours or more per month, averaged over an employer-determined measurement period. It's important to verify that your time and attendance system supports measurement period averaging according to IRS rules, as well as measurement period maintenance and employee status history.
- ☑ ***Features predesigned or custom reporting functionality so that administrators can easily sort and report workforce data such as employee counts.*** It's important to ensure your time and attendance system is using ACA criteria to identify full-time employees and that status reporting for the 1094-C and 1095-C is based on the employees' stability periods, which may cross calendar-year boundaries.
- ☑ ***Provides employees "self-service" capabilities so they can easily and confidentially update personal information such as new addresses or name changes.*** The easier it is for employees to update their personal information directly in the system, the more likely your information will be up-to-date with little or no administration necessary.

## Conclusion

Complying with ACA coverage is complicated enough. With the addition of new, complex forms, most employers deserve a reliable way to streamline their ACA reporting obligations. A time and attendance system configured with ACA criteria in mind can be an integral support tool for accurate reporting under this new law.



This document simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about ACA compliance, please contact the Internal Revenue Service at <http://www.irs.gov/>

## About Attendance on Demand, Inc.

Attendance on Demand supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating recordkeeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

## References

- 1 Miller, Stephen. "IRS Issues Forms and Instructions for ACA Reporting." Society for Human Resource Management. 10 Feb 2015. Web. Accessed 26 Feb 2015. <http://www.shrm.org/hrdisciplines/benefits/articles/pages/aca-reporting-draft-forms.aspx?spMailingID=22151817&spUserID=OTM1NjkzNzQwOTUS1&spJobID=501886208&spReportId=NTAxODg2MjA4S0>
- 2 Jost, Timothy. "Implementing Health Reform: Tax Form Instructions." Health Affairs Blog. 29 Aug 2014. Web. Accessed 26 Feb 2015. <http://healthaffairs.org/blog/2014/08/29/implementing-health-reform-tax-form-instructions/>
- 3 Vollmar, Elizabeth. "Final IRS Instructions for ACA Reporting Forms Confirm Massive Data Collection, Assimilation Effort." Lockton Benefit Group Compliance Services Alert. 11 Feb 2015. PDF. Accessed 26 Feb 2015. [http://s3-us-west-2.amazonaws.com/lockton-corporate-website/Compliance-Alerts/02112015\\_IRS\\_final\\_instructions\\_\\_Final.pdf](http://s3-us-west-2.amazonaws.com/lockton-corporate-website/Compliance-Alerts/02112015_IRS_final_instructions__Final.pdf)
- 4 Vollmar.
- 5 Internal Revenue Service. "Affordable Care Act: Reporting Requirements for Applicable Large Employers." IRS.gov. Web. Accessed 26 Feb 2015. <http://www.irs.gov/pub/irs-pdf/p5196.pdf>



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