

Insider's Guide to IRS Form 1095-C Part II Code Combinations

For 2017 Reporting Year

The image shows a thumbnail of the IRS Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, for the 2017 reporting year. The form is titled "1095-C Employer-Provided Health Insurance Offer and Coverage" and includes a "VOID" and "CORRECTED" stamp. It features a header with the form number and a "17" indicating the reporting year. The form is divided into three main parts: Part I (Employee information), Part II (Employee Offer of Coverage), and Part III (Covered Individuals). Part I includes fields for name, address, Social Security number, and employer information. Part II is a table with columns for months (Jan-Dec) and rows for various codes (14-16). Part III is a table for listing covered individuals with columns for names, SSN, and months of coverage (Jan-Dec).

What is a Form 1095-C?

IRS Form 1095-C, known as the Employer-Provided Health Insurance Offer and Coverage statement, is a foundational piece of the Employer Mandate. Form 1095-C is intended to include all the necessary information to allow the recipient and/or the tax preparer to properly complete and file the recipient's tax return. All applicable large group employers (ALE's) are required to prepare, distribute and file IRS Form 1095-C. This form includes information that will identify which months an individual and any enrolled dependents were offered coverage and if it met the criteria for Minimum Essential Coverage (MEC), affordability, as well as the months during which they participated in the employer's health coverage.

Parts I, II, and III

Form 1095-C is divided into three parts. Part I is used to identify the employee, and the reporting ALE entity. It includes demographic information such as name, contact and demographic information, Social Security Number (SSN) and Employer Identification Number (EIN).

Part II of the IRS Form 1095-C includes three significant items: Lines 14, 15 & 16. These lines together paint a picture of the recipient as to:

- Which months in that reporting year the employee was considered full-time
- The employer's offer of coverage history

- Whether or not the employee elected coverage
- The affordability of the low cost plan offered

More information is available in the [IRS instructions publication](#).

Part III must be completed by employers with self-funded insurance plans. Individuals, including the employee, spouse and dependents, who had coverage for any month of the calendar year must be listed in this section. Employers who offer fully insured coverage will only need to complete Parts I & II, and their fully insured carrier will provide Form 1095-B to report the months of coverage.

Deadlines and Potential Penalties

The purpose of this guide is to focus on the complexities associated with the codes required to complete Part 2 of this form. The IRS has issued transitional relief for the 2017 reporting year extending the deadline to March 2nd, 2018. The IRS 1094 transmittal submission deadline remains March 31st, 2018.

The IRS also extended some aspects of transition relief for "good faith effort", however penalties will apply for failure to file or make a good faith effort to follow the regulations (see [IRS Notice 2016-70](#)). The penalty for failing to file a correct return is \$260 per form with the maximum penalty set to be \$3.193 million for 2017, assuming there was no intentional or "willful" disregard of the requirement to file.

Part II Codes Explained

Calculating the 1095-C Lines 14-16 codes are one of the more daunting tasks of ACA reporting.

For tax reporting, many employers find themselves relying on their “best guesses” or their vendor partners to correctly determine their 1095-C Part II codes. Some even simply mark all full-time employees 1A in Line 14 and 2C in Line 16 with no premium amount required to be listed.

Form 1095-C Part II: Employee Offer of Coverage

Part II of the IRS Form 1095-C includes three parts: Lines 14, 15 & 16. These lines together paint a picture of the recipient as to 1) which months in that reporting year the employee was considered full-time 2) the employer’s offer of coverage history 3) whether or not the employee elected coverage and 4) the affordability of the low cost plan offered.

Codes listed on Line 14: Offer of Coverage explains what type of coverage, if any, was offered to the recipient, their spouse and dependents. Line 14 may not be left blank for any reason. General Code groupings are as follows:

1. The employer made a Minimum Essential Coverage (MEC) with Minimum Value (MV) qualifying offer: 1A, 1E, 1C, 1G & 1K
2. The employer made a MEC with MV qualifying offer but only included certain family members: 1B, 1D
3. The employer made a MEC offer that did not meet MV: 1F
4. No offer of coverage made: 1H

Line 15

Employee Required Contribution leaves space to list what the employee share of the lowest cost monthly premium amount was for self-only MEC providing MV to the employee. This amount may be less than what the employee is paying, if they have elected for a higher premium plan or to cover other family member(s). For example, if an employee elects a higher level coverage or a family plan, their monthly premium contribution would be higher than the amount listed on Line 15.

If the company offers a rate that is under the Federal Poverty Level, which in 2016 was \$94.75, then this line can be left blank.

Note: When 1B, 1C, 1D, 1E, 1J or 1K are entered in Line 14, Line 15 must include a premium amount. Line 15 should be blank when Line 14 is either 1A or 1H.

Codes listed on Line 16

Section 4980H Safe Harbor and Other Relief allow the employer the ability to indicate exceptions to a penalty. As such, it can be left blank but this could open an employer up to potential penalties if an employee were to go to the Exchange and receive a subsidy for coverage. General Code groupings are as follows:

1. The recipient enrolled in coverage: 2C
2. Compliant reasons for not offering a recipient coverage: 2A, 2B, 2D, 2E
3. Employee waived coverage but that coverage met one of the Affordability Safe Harbors: 2F, 2G, 2H

Note: The IRS handles mid-month offers of coverage differently in Part II and Part III of the 1095-C. On Line 14 of Part II, an employer would only use a code for an offer of coverage if that coverage was extended to the individual each day of that month. For those employers who have self-insured health plans, they would do the opposite when completing Part III and mark an individual as having been offered coverage in that month they were offered, regardless of which day it was offered (see [IRS FAQ 12](#) on Questions and Answers about information Reporting by Employers on Form 1094-C and Form 1095-C).

What is the Plan Start Month?

The plan start month (which is the first month of the plan year) is optional, however the IRS did add the plan start month field to 1095-C Part II in the top right corner. See [IRS Notice 2016-70](#).

Common Form 1095-C Part II Code Combinations

IRS Part II codes may look like a foreign language, but in fact they tell a story, albeit a cryptic one. Each Part II Code combination weaves a tale throughout the year for each recipient that allows the IRS to make assumptions as to whether the (a) company was compliant or not with regards to the Employer Mandate.

There are several 1095-C “Safe” Code Combinations and a few 1095-C “Risky” Code Combinations. Other factors may trigger inquiries from the IRS, but our hope here is to empower you with the information necessary to properly generate and/or audit 1095-C forms. A [full list of codes](#) is available on our website.

1095-C Part II “Safe” Code Combinations

Line 14	Line 16	Descriptive Examples
1A	2C	Full-Time employee, spouse, and dependents were offered MEC at Minimum Value + enrolled in coverage every day of that month.
1A	2G	Full-Time employee, spouse, and dependents were offered MEC at Minimum Value under federal poverty safe harbor + waived coverage.
1E	2C	Part or Full-Time employee was offered MEC at Minimum Value + MEC coverage offered to dependent(s) & spouse + EE enrolled in coverage every day of that month.
1E	2H	Employee offered MEC at Minimum Value + MEC coverage offered to dependent(s) & spouse + EE waived coverage that was affordable under rate of pay safe harbor.
1E	2F	Part or Full-Time employee was offered MEC at Minimum Value + MEC coverage offered to dependent(s) & spouse + EE waived coverage that was affordable under W-2 safe harbor.
1H	2A	Employee was not offered coverage + not employed any day that month.
1H	2B	Employee was not offered coverage + not a full time employee or was full time and terminated during that month. EE is PT, Seasonal or variable in a measurement period.
1H	2D	Employee not offered coverage + in a Limited Non-Assessment Period due to either: <ul style="list-style-type: none"> • Employee in Initial Standard Measurement Period & becomes full time employee during tax year • Employee is full time and in an up to 90-day waiting period • Employee is full time & hired that month (not on the 1st) • Employer’s first year as an ALE
1H	2E	Employee not offered coverage + EE is part of a multiemployer (union) plan.

1095-C Part II “Risky” Code Combinations

Line 14	Line 16	Descriptive Examples
1H		Employee not offered coverage – could result in a 4980H(a) penalty if over 5% of employee population.
1E		Part or Full-Time employee was offered MEC at Minimum Value + MEC coverage offered to dependent(s) & spouse but the coverage is not considered Affordable under 4980H(b).

Note: This does not include all possible IRS 1095-C Part II code combinations. This information is provided as a courtesy and should not be construed as tax or legal advice. Such information is by nature subject to revision and may not be the most current information available. UnifyHR encourages you to consult your legal and/or tax advisors.

Example Scenarios

Below we have provided a few example 1095-C Part II code combination scenarios. Each scenario provides an employee description, the information that could be provided on lines 14-16, and a short explanation. You should consult with your team, ACA vendor, and possibly legal experts on what IRS Part II information applies to your employees.

Scenario One: Tom is a single, full time employee with no dependents. He was hired, offered and elected health care coverage in May of 2016. On June 10, 2017, he left his company for another job. He returned October 24, 2017 and was offered and elected coverage beginning December 1, 2017. The premium amount for the MEC + MV plan is \$88.

Part II	Employee Offer of Coverage						Plan Start Month (Enter 2-digit number):						
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1A	1A	1A	1A	1A	1H	1H	1H	1H	1H	1H	1A
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2C	2C	2C	2C	2C	2B	2A	2A	2A	2D	2D	2C

- January-May: 1A+2C. Full time Employee offered and enrolled in MEC at Minimum Value
- June: 1H+2B. Job terminated during the month + not offered coverage.
- July-September: 1H+1A. Not an employee, not offered coverage.
- October-November: 1H+2D. Employee, not offered coverage – in a limited non-assessment period.
- December: 1A+2C. Enrolled in coverage the full month.

Scenario Two: Sally has been working for ABC Supply Company for ten years. She was receiving health care coverage from her Union but migrated roles within the company and off of her Union coverage in February of 2017. At that time, she was offered health care coverage through ABC Supply Company for herself and her dependents, but elected not to enroll. The premium she was offered for herself was \$100 per month. ABC Supply Company uses rate of pay Affordability Safe Harbor.

Part II	Employee Offer of Coverage						Plan Start Month (Enter 2-digit number):						
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E	1E
15 Employee Required Contribution (see instructions)	\$	\$	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2E	2H	2H	2H	2H	2H	2H	2H	2H	2H	2H	2H

- January: 1H+2E: Employee not offered coverage and is part of a multiemployer plan.
- February – December: [1E+Line 15+2H]: Employee offered coverage that is MEC + MV and MEC to dependent and is affordable under rate of pay safe harbor.

Scenario Three: Jose was hired on April 10, 2017, and offered health insurance beginning May 1, 2017. He is a full time employee and elected coverage for himself, his spouse and dependents. The monthly premium offered for them as a whole was \$500/month but Jose was also offered individual coverage at \$90 per month.

Part II	Employee Offer of Coverage						Plan Start Month (Enter 2-digit number):						
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1A	1A	1A	1A	1A	1A	1A	1A
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)		2A	2A	2A	2D	2C	2C	2C	2C	2C	2C	2C	2C

- January-March: 1H+2A. Jose is not an employee and not offered coverage.
- April: 1H+2D. Not offered coverage in a limited non-assessment period.
- May-December: 1A+2C. Enrolled in MEC + MV coverage for employee and MEC coverage for spouse and dependents.