

Supporting Statement

Internal Revenue Service

Forms: 1094-C, 1095-C and 4423

Information Reporting by Applicable Large Employers on Health Insurance
Coverage Offered Under Employer-Sponsored Plans
OMB Control Number 1545-2251

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Section 6056 requires those employers to report to the IRS information about the health care coverage, if any, they offered to full-time employees, in order to administer the employer shared responsibility provisions of IRC section 4980H (shared responsibility for employers regarding health coverage).

IRC sections 6055 and 6056 require employers to furnish related statements to their employees. These statements to employees may be used to determine whether, for each month of the calendar year, the employee may claim on their individual tax returns a premium tax credit under IRC section 36B (premium tax credit).

Applicable Large Employer Members (ALE Members) use Forms 1094-C and 1095-C (generally employers with at least 50 full-time employees, including full-time equivalent employees) to report the information required under IRC sections 6055 and 6056 regarding offers of health coverage and enrollment in health coverage for their full-time employees.

Form 4423 is for use when a company is a foreign filer that does not have an Employer Identification Number (EIN) and cannot use the electronic application process to apply for an Affordable Care Act Transmitter Control Code.

2. USE OF DATA

This information is collected in accordance with the return and employee statement requirements under IRC section 6056 and is used to administer IRC section 4980H and the premium tax credit.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1094-C and Form 1095-C is currently available.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

A less frequent collection on federal programs would result in the IRS being unable to verify compliance to determine whether the information has been reported and calculated correctly for purposes of IRC Section 4980H and IRC Section 6056, and whether claims for the premium tax credit are correct; thereby endangering the IRS to meet its mission.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

In response to the Federal Register notice dated April 26, 2024, (89 FR 32526), the IRS received three public comments from Paylocity, Eide Bailly LLP, & Equifax. The full comments will be included within submission to the Office of Management and Budget (OMB). The summary of the comments and the IRS responses are below:

**Molly Pruitt Comments dated June 14, 2024
Information Reporting by Applicable Large Employers on Health Insurance
Coverage Offered Under Employer-Sponsored Plans**

Comment Number	Summary of public comment	IRS response
1.	Extending the filing deadline 30 days will decrease burdens on small and large employers to allow payroll providers	Filers of Forms 1095-B, 1094-C, and 1095-C already may receive an automatic 30-day extension of time to file these forms with the IRS by submitting Form 8809, <i>Application for Extension of Time to File Information Returns</i> , on or before the due date for filing those forms. See Treas. Reg. §§ 1.6081-1 and 1.6081-8.

	additional time to correct any errors.	Further, the current regulations under sections 6055 and 6056 already provide a permanent, 30-day automatic extension of time to furnish statements, which provides adequate time for furnishing in most situations. <i>See</i> Treas. Reg. §§ 1.6055–1(g)(4)(i) and 301.6056–1(g)(1). Additionally, a reporting entity may qualify for penalty relief pursuant to section 6724 by showing that a failure was due to reasonable cause and not to willful neglect.
2.	IRS provides additional sample data for schemas each year.	<p>a. Sample schemas are included in each schema package located on IRS.gov for the User Interface (UI) channel and the Application to Application (A2A) channel when an authorized transmitter receives the WSDLs.</p> <p>b. Each schema package includes a Diff/Change Log file which identifies changes to that schema version.</p> <p>c. In addition, sample Manifest and Form Data files are located in Publication 5258, sections 4.2.1 and 4.2.2 (for the UI channel) and sections 8.1.2 through 8.1.4 (for the A2A channel).</p>
3.	Greater clarity on rejection reasons and how to correct errors to reduce time spent.	<p>a. When a transmission is rejected by IRS Portal, the Transmitter will receive a fault (error) code that is prefixed with ‘TPE’. These error codes are specifically prefixed with “TPE” to identify that the transmission was rejected before it got to AIR. The corresponding error description message will contain information about the errors that was detected.</p> <p>i. See Publication 5258. Section 12.1 for a list of fault codes and their description.</p> <p>1. Most codes can be fixed by following the guidance in the description section and reviewing the Publications. Publication 5258, section 10.2 provides some informational resources regarding XML Schemas, software tools and parsers that may help pinpoint where any errors are located.</p> <p>2. However, there may be times when a code is not understood and/or additional assistance is needed by contacting the AIR Mailbox.</p> <p>b. When a transmission is rejected by AIR, the rejection will either be due to</p> <p>a Business Rule or Schema validation error.</p> <p>i. The Error Data file contains the error codes, the error descriptions, and the XPath reference to the element/record found to be in error. Review the</p>

		<p>example in Publication 5258, Figure 4-11 on page 37.</p> <p>1. The Error Data file doesn't specifically state the name of the person which contained the error, it provides the UniqueRecordId where the error is located.</p> <p>a. For example: <UniqueRecordId>1094C-21-00000000 1 2</UniqueRecordId> narrows down the Receipt Id that has the error, the Submission Id and the specific RecordId that contained the error. The description provides the error code and the error description.</p> <p>1. When a transmission is rejected with a code prefixed with AIRSH, this is due to malformed schema, missing required element or a pattern mismatch within your Form Data file (For example: type, length, spaces, missing a required element, or using both elements in a choice field, etc.).</p> <p>a. Most codes can be fixed by following the guidance in the description, reviewing the Publications and/or using software tools and parsers to locate errors in your files. Publication 5258 section 10.2 provides some software tools and parsers that may help pinpoint where any errors are located.</p> <p>b. However, there may be times when a code is not understood and/or additional assistance is needed by contacting the AIR Mailbox.</p>
<p>4.</p>	<p>Education on how to remove/upload incorrectly coded or additional 1095-C forms after the original filing has taken place.</p>	<p>a. If there were original 1095-C forms that were not included in the original transmission, you must file a separate original transmission to include those forms. Once a transmission is successfully processed by AIR, no additional forms can be included in that transmission.</p> <p>i. A transmission consisting of original records which have not been previously submitted to IRS is coded "O".</p> <p>ii. A transmission containing corrected records consist of corrections to records that have been submitted to IRS and have been accepted by IRS is coded "C".</p> <p>iii. A transmission that replaces a rejected transmission or that contains submissions that replace rejected submissions is coded "R".</p> <p>iv. Do not comingle submissions of different types (O, C, or R) in the same transmission. Each transmission must contain only one type of submission.</p>

		<p>Additionally, each submission must only contain one type of records (O, C, or R).</p> <p>b. If corrections are needed to a previously filed transmission that was Accepted or Accepted with Errors, review the Corrections process in Publication 5165 section 7.1.</p> <p>i. 1095-C corrections are outlined in section 7.1.3.</p> <p>ii. 1094-C (Authoritative Transmittal) corrections are outlined in section 7.1.2.</p> <p>c. The electronic submission process does not have a void option. You can, however, use the Corrections Process to remove a record of coverage from an incorrectly filed Form 1095-C. See below: Using the Corrections Process to remove the record of coverage from an incorrectly filed 1095-C:</p> <p>a. Check the 'CorrectedInd'</p> <p>b. Revise Part II if needed</p> <p>c. Uncheck the 'CoveredIndividualInd' checkbox</p> <p>d. Revise Part III to remove all covered individuals that were reported on the previously accepted 1095-C and do not include the 'CoveredIndividualGrp' tags</p> <p>1095-C Example Scenario: XYZ Plumbing files a 1095-C showing John Whitney, their Employee, was offered coverage and that John and his wife were covered all year. After sending the return to IRS, XYZ discovers that John had left the company in December of the previous year and that the 1095-C was sent in error. Remedy: XYZ would correct this issue by sending a Corrected 1095-C to both John and to the IRS with Part II and Part III filled out as follows:</p> <p>a. Line 14 would show Code"1H" in "All 12 Months" showing that John was not offered coverage.</p> <p>b. Line 15 would not be present, since there was no Offer of Coverage.</p> <p>c. Line 16 would show "2A" in "All 12 Months" showing that John was not employed during the year.</p> <p>d. Uncheck the 'CoveredIndividualInd' checkbox</p> <p>e. Remove John Whitney and his three children from the 'CoveredIndividualGrp' (Part III) and do not include the 'CoveredIndividualGrp' tags.</p>
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Comment Number	Summary of public comment	IRS response
1.	Forms 1094-C and 1095-C are necessary for IRS administration of the Affordable Care Act as practical utility exists by the fact that the reported information enables the application of accurate penalties and state level requirements.	IRS agrees with the support provided.
2.	Extending the filing and furnishing deadlines 30 days will decrease burdens on large employers without significantly impacting IRS administration and ease on penalty assessments.	See note above regarding deadlines.
3.	Actively enforcing accuracy-related penalties may enhance the quality of Forms 1094-C and 1095-C and would not place new burdens on employers.	Enforcement activities and penalties are outside the scope of the request for comments on this information collection.

Rhona Parry Comments dated June 25, 2024
Information Reporting by Applicable Large Employers on Health Insurance Coverage Offered Under Employer-Sponsored Plans.

Comment Number	Summary of public comment	IRS response
1.	Allow for the electronic delivery of Forms 1095-B and 1095-C, also increase enforcement of current regulations regarding applicable penalties.	<p>Regarding Forms 1095-B, the current regulations under section 6055 already provide an alternative manner for a reporting entity to timely furnish Forms 1095-B to responsible individuals, which allows reporting entities to minimize their production and distribution costs. <i>See</i> Treas. Reg. § 1.6055-1(g)(4)(ii)(B). Additionally, there are already procedures that allow electronic furnishing of these forms as long as the recipients have provided proper consent. <i>See</i> Treas. Reg. §§ 1.6055-2 & 301.6056-2.</p> <p>Regarding Forms 1095-C, neither the Tax Cuts and Jobs Act (TCJA) nor any other change in Federal law affects the employer shared responsibility provisions of section 4980H or the need for certain full-time employees to have information about their coverage offer to help</p>

		<p>determine eligibility for the premium tax credit under section 36B. Because the primary purpose for furnishing Form 1095-C is distinct from the primary purpose for furnishing Form 1095-B and was not affected by the changes made by the TCJA, the Treasury Department and the IRS previously concluded that it is not appropriate to amend the regulations under section 6056 to extend the alternative manner of furnishing rule to ALEs with regard to their full-time employees.</p> <p>Enforcement activities and penalties are outside the scope of the request for comments on this information collection.</p>
2.	<p>Removal of furnishment requirement, which will expedite issuance of 226-J letters and allow for validation of Social Security Numbers to decrease large volume of “Accepted with Filing Error” each year.</p>	<p>See note above regarding furnishing requirements.</p> <p>The IRS has considered and declines to implement this suggestion.</p>
3.	<p>Adopt rules and regulations that allow for the continued filing of an XML file but remove requirement to furnish individual forms due to burden, except provide an electronic copy in the event an employee requests a copy.</p>	<p>See note above regarding furnishing requirements.</p> <p>The IRS has considered and declines to implement this suggestion.</p>
4.	<p>Eliminating furnishment requirements would result in a notable cost savings for</p>	<p>See note above regarding furnishing requirements.</p> <p>The IRS has considered and declines to implement this suggestion.</p>

	employers' reporting obligations.	
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9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Affordable Care Act (ACA)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under; IRS 24.030 - Individual Master File, IRS 24.046 - Customer Account Data Engine Business Master File, and IRS 34.037 - Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 U.S.C. 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 6056	Form 1094-C	590,281	1	590,281	4 hrs.	2,361,124
	Form 1095-C	122,644,376	1	122,644,376	12 min.	24,528,875
	Form 4423	7	1	7	20 min.	2
Totals		123,234,664		123,234,664		26,890,001

The following regulations impose no additional burden. Please continue to assign OMB number 1545-2251 to these regulations:

301.6056-1	301.6056-2
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13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

This information collection will be included in the consolidated OMB submission for information returns currently being developed. IRS is working on the methodology for evaluating information return burden and cost; and will update the cost and burden estimates as part of the consolidation.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. These costs do not include any activities such as taxpayer assistance and enforcement.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables, such as complexity, number of pages, type of product, and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries, and other outlets. The result is the government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 1094-C	\$75,212	+	\$292	=	\$75,505
Form 1095-C	\$75,212	+	\$470	=	\$75,682
Instructions 1094-C and 1095-C	\$43,874	+	\$289	=	\$44,163
Grand Total	\$194,298	+	\$851	=	\$195,350
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

There were no changes made to the forms that resulted in any change to the burden previously reported to OMB. However, the number of responses was updated based on current filing data. This increases the number of responses by 17,834,658 and the burden hours by 4,289,999 annually due to Agency Estimate.

	Total Requested	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	123,234,664	0	0	17,834,658	0	105,400,006
Annual Time Burden (Hr)	26,890,001	0	0	4,289,999	0	22,600,002

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the forms expire as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.