

# Preparing for Your 2016 Tax Return

## Questions and Answers on Tax Changes Related to the Affordable Care Act



This guide provides you with questions and answers designed to assist you with understanding the 2016 employer reporting requirements under the Affordable Care Act. For further questions, please consult with a tax professional.



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# Questions & Answers

## 1. What health care tax forms will you be receiving for the 2016 tax year?

One tax form is a Form 1095-B, or the **Health Coverage** form. You will receive a Form 1095-B from your medical insurance carrier if you were enrolled in a fully insured medical plan offered by Palm Springs Unified School District for at least one month during 2016. If you were enrolled in a self-insured medical plan, however, you will not receive a Form 1095-B. Instead Palm Springs Unified School District will report this information on a Form 1095-C, as described below.

The second tax form is a Form 1095-C, or the **Employer-Provided Health Insurance Offer and Coverage** form, which will be provided by Palm Springs Unified School District to all employees who were determined to be “Full-time Employees” for at least one month during 2016.

## 2. What exactly is a Form 1095-B?

A Form 1095-B is a statement that you will receive from your medical insurance carrier that will show that you and any covered dependents had qualifying health coverage, referred to as “minimum essential coverage” (MEC), for one or more months during 2016.

## 3. Why do I need a Form 1095-B to prepare my tax return?

The Affordable Care Act (ACA) requires most individuals to have health insurance that provides MEC, or pay a penalty. This is referred to as the individual shared responsibility provision, or individual mandate. The Form 1095-B will demonstrate that you and any covered dependents had MEC. For 2016, the penalty amount is the greater of (1) or (2):

(1) \$695 per individual (\$347.50 per child under 18), up to a maximum of \$2,085 per family, or

(2) 2.5% of your household income up to a maximum amount equal to the total yearly premium for the national average price of a “bronze” plan sold through the Health Care Marketplace.

## 4. What is Minimum Essential Coverage?

Minimum Essential Coverage, commonly referred to as MEC, refers to the type of coverage an individual must have to comply with the ACA’s individual mandate. MEC includes the medical coverage options provided by Palm Springs Unified School District.

You are considered to have MEC for the entire month as long as you are enrolled in and entitled to receive benefits under an MEC plan for at least one day during that month.

## 5. What Information must be reported on a Form 1095-B?

Form 1095-B will specify the months during the year that you were enrolled in MEC. In addition, it will also reflect your (and covered dependents’) identifying information, including social security numbers.

## 6. When will I receive my Form 1095-B?

The IRS recently extended the due date for providing the Form 1095-B for the 2016 year. This year, the Form 1095-B is required to be provided by March 2, 2017.

In subsequent years, you will receive the Form 1095-B no later than January 31 following the end of the tax year to which it relates. This is the same deadline for providing you with your Form W-2.

# Questions & Answers

**7. What if my spouse/ domestic partner and our children are enrolled with me on the plan? Will they also receive their own Form 1095-B?**

A Form 1095-B will generally only be prepared for you, as the primary insured. However, all dependents enrolled with you on the plan will be reflected on your Form 1095-B.

Note that if your spouse/domestic partner or child is enrolled in a plan sponsored by their employer they will receive a Form 1095-B (or Form 1095-C) from their employer for the month(s) they were enrolled in that employer's medical plan.

**8. What if it is after March 2 and I have not received a Form 1095-B?**

If you were enrolled in a fully-insured medical plan during 2016 and do not receive your Form 1095-B from your medical insurance carrier by the March 2, 2017 deadline, please contact CVT or NWA and let them know.

**9. What is a Form 1095-C?**

Form 1095-C is a statement that will provide Full-time Employees information about the health care coverage that Palm Springs Unified School District offered them and their dependents during 2016 and the months that coverage was offered. In addition, for those enrolled in a self-insured medical plan, in lieu of receiving a Form 1095-B, Palm Springs Unified School District will include enrollment information regarding their covered spouse/domestic partner and children.

**10. Why do I need to receive a Form 1095-C?**

Under the ACA, an employer with at least 50 full-time equivalent employees must offer its Full-time Employees MEC that is "affordable" and provides "minimum actuarial value", or else potentially be subject to a penalty. This is known as the employer mandate. The Form 1095-C is intended to demonstrate that Palm Springs Unified School District is in compliance with this mandate.

In addition, if you purchased health coverage through a Health Insurance Marketplace, such as Covered California, this information will assist you in determining whether you were eligible for a premium tax credit.

**11. What specific information is reflected on the Form 1095-C?**

The 1095-C has three parts:

- Part I contains information identifying you and Palm Springs Unified School District, similar to that found on your Form W-2.
- Part II includes information about the health insurance coverage that was offered to you, your spouse, and/or dependents by Palm Springs Unified School District, if any. The information on Lines 14 and 16 is provided using identifying codes. For Line 15, you may have a dollar amount reflected that represents the monthly cost for employee-only coverage under the lowest cost health plan option that was offered to you by Palm Springs Unified School District, not necessarily the cost for the coverage that you were enrolled in during 2016.
- Part III will be completed if Palm Springs Unified School District's health plan is self-insured, and will reflect information about any family members that were enrolled in the plan with you. This is necessary information for you and your family members to demonstrate compliance with the individual mandate (see Question 3 above).

Please consult the instructions accompanying the Form 1095-C for further information.

# Questions & Answers

**12. What if fields are left blank on the Form 1095-C?**

If a field is left blank, it generally means that the field either does not apply to you or it is not required to be completed. It doesn't necessarily mean that your Form 1095-C is incomplete or inaccurate. However, if you believe your Form 1095-C is incorrect, please contact Risk Management.

**13. Will all employees be receiving a Form 1095-C?**

Not necessarily. You will receive a Form 1095-C only if you were a Full-time Employee during any month in 2016, or if you were enrolled in a self-insured medical plan.

**14. What does it mean to be a Full-time Employee?**

Under the ACA, generally all employees who work or are scheduled to work an average of at least 30 hours per week, are considered Full-Time Employees for medical benefits purposes.

Palm Springs Unified School District uses what is known as the "look-back measurement method" to determine whether or not you meet the definition of Full-time Employee. The rules for the look-back measurement method are very complex. Generally, your hours are tracked over a 12-month measurement period. If you are found to have worked an average of at least 30 hours per week during this period, you will be considered a Full-time Employee and eligible for coverage for a 12-month stability period that coincides with your medical coverage plan year. Slightly different rules may apply to newly hired and rehired employees. Palm Springs Unified School District intends to follow applicable IRS guidance when administering the look-back measurement method.

**15. Is the medical coverage offered by Palm Springs Unified School District "affordable" and does it provide "minimum actuarial value"?**

Yes. The coverage offered by Palm Springs Unified School District meets the ACA definitions of affordability and minimum actuarial value.

# Questions & Answers

**16. Who will be providing me with the Form 1095-C?**

You will be receiving the Form 1095-C directly from Palm Springs Unified School District.

**17. When will I receive my Form 1095-C?**

Like the Form 1095-B, the IRS recently extended the due date for providing the Form 1095-C for the 2016 year. This year, the Form 1095-C is required to be provided by March 2, 2017.

In subsequent years, you will receive the Form 1095-C no later than January 31 following the end of the tax year to which it relates. This is the same deadline for providing you with your Form W-2.

**18. What if I have my spouse and children enrolled with me on a Palm Springs Unified School District plan but their information is not reflected on the Form 1095-C?**

If you are enrolled in a fully insured medical plan, enrollment information regarding your spouse, domestic partner, children, or other dependent will not be reported on Form 1095-C, but on Form 1095-B, as described above. However, if you are enrolled in a self-insured medical plan, dependent enrollment information will be reflected in Part III of the Form 1095-C.

**19. What if I terminate from Palm Springs Unified School District before the end of the year?**

If you terminate with Palm Springs Unified School District during the year, and are either (1) enrolled in a Palm Springs Unified School District medical plan or (2) a Full-time Employee for any portion of the year, you will still receive a Form 1095-B, or Form 1095-C, as applicable, that will show the months in which you were enrolled or determined to be eligible for coverage under a Palm Springs Unified School District medical plan.

**20. What if I do not receive my Forms 1095-B and 1095-C by the time I want to file my tax return?**

The IRS acknowledges that individuals might not receive their Form 1095-B and Form 1095-C by the time they file their 2016 tax returns. Consequently, when filing their income tax returns, individuals may rely upon other information received from Palm Springs Unified School District, CVT or NWA about their enrollment in MEC and to prove they had coverage to satisfy the individual mandate, or regarding offers of coverage for purposes of determining eligibility for a premium tax credit. Examples of supporting documentation to consider may include plan enrollment confirmation, pay stubs, and any related benefit guides or summaries you received that reflect plan options and employee contribution requirements.

Additionally, you will not be required to amend or correct your return upon receiving the Form 1095-B and Form 1095-C.

***Note: Palm Springs Unified School District is not providing you with tax advice nor is it responsible for any outcome of your personal tax return. Please consult your own tax advisor for details on how this may affect you, and on any information you include on your own tax return.***

# Questions & Answers

**21. Do I have to provide my spouse/domestic partner or child's social security number?**

To the extent that a social security number is not on file for anyone enrolled in a Palm Springs Unified School District medical plan, you may be requested to provide one in order to support that your spouse/domestic partner or dependent was enrolled in MEC, and thus not subject to a penalty.

**22. Where can I get more information?**

Additional information is also available on the IRS website at:

<https://www.irs.gov/Affordable-Care-Act/Questions-and-Answers-about-Health-Care-Information-Forms-for-Individuals>.

For further information on the individual mandate, please visit the IRS website at:

[www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Individual-Shared-Responsibility-Provision](http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Individual-Shared-Responsibility-Provision).

For additional information on your medical plan options questions regarding your Form 1095-B or C, or whether or not you are classified as a Full-time Employee for medical benefits, please contact Risk Management.

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