Employer's roadmap to ACA

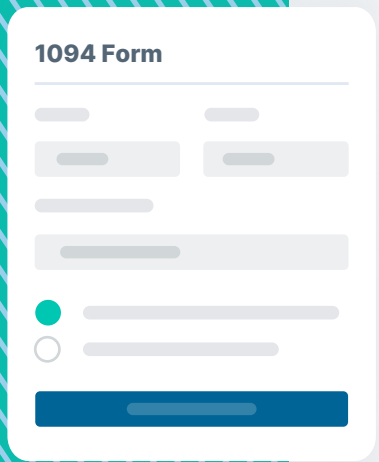
Tips on surviving this year's ACA reporting season.



wex™

ACA compliance and reporting requirements can be complex and time-consuming.

Here are our tips for surviving this year's **ACA reporting season!**



Introduction to ACA

Each year, ACA reporting brings important deadlines and compliance responsibilities for employers. Understanding what's required — and when — helps employers reduce compliance risk and administrative burden.

ACA overview

The Patient Protection and Affordable Care Act (ACA), enacted in 2010, expanded access to health coverage and established requirements for employers sponsoring health plans. The law also introduced employer reporting obligations that help verify compliance with coverage requirements.

Why it matters

ACA reporting is a key compliance requirement. Missed deadlines or errors can trigger costly IRS penalties. Accurate and timely reporting helps employers stay compliant and minimize risk.

In this guide

- Determining employer/employee status
- Determining affordability
- Reporting
- Special cases
- Noncompliance
- How WEX can help

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Determining status

The first step in ACA reporting is determining if your company is an Applicable Large Employer (ALE). This status determines your ACA reporting and coverage obligations. In general, an employer with 50 or more full-time and full-time equivalent employees is considered an ALE.

For purposes of determining ALE status, a full-time employee is someone who works at least 30 hours a week, or at least 130 hours in a calendar month.

To determine the number of full-time employee equivalents, follow the equation below:

- hours worked (up to 120 hours per employee) by all part-time employees in past month
- ÷ 120
- = number of full-time equivalents

To determine whether your company is an ALE, do the below calculation for the past 12 months.

- sum of all full-time employees each month for 12 months
- \+ sum of all full-time equivalents each month for 12 months
- ÷ 12



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Determining affordability

ACA affordability standard

Under the ACA employer shared responsibility provisions, coverage is considered affordable if the employee's required contribution for self-only coverage does not exceed a set percentage of their household income.

- **2025 plan year:** no more than 9.02% of household income
- **2026 plan year:** no more than 9.96% of household income

Safe harbors

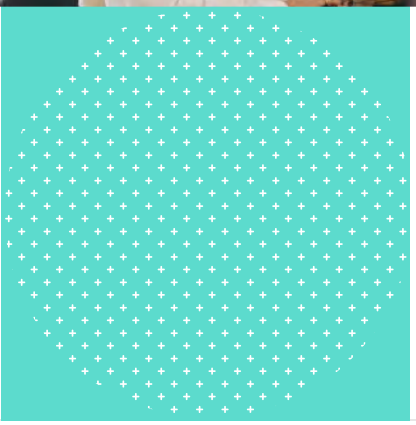
Employers may also determine affordability using safe harbor methods, which calculate costs as a percentage of:

- W-2 Wages,
- An employee's rate of pay (130 hours multiplied by the hourly rate), or
- The federal poverty line

Special considerations

That's the basic requirement, but some employer actions or contributions can affect how affordability is determined. We'll go over that when we talk about special considerations!









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IRS forms

The ACA added reporting requirements under Internal Revenue Code sections 6055 and 6056. These reporting rules require certain employers to furnish the IRS with information regarding the medical coverage they do or do not offer to their employees.

Applicable Large Employers subject to employer shared responsibility rules must report information on health coverage offered to full-time employees to the IRS and covered individuals.

There are five key forms included in the Internal Revenue Code:

› 1095-B

Health Coverage. Insurers and self-insured plans to provide to each enrollee. Gives information on coverage provided.

› 1094-B

Transmittal of Health Coverage Information Returns. Insurers and self-insured plans to file with IRS along with all 1095-B forms.

› 1095-C

Employer-Provided Health Insurance Offer and Coverage. ALEs to provide to each enrollee. Provides information on available coverage and to whom and when coverage is offered.

› 1094-C

Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. ALEs to file with IRS along with all 1095-C forms.

› 1095-A

Health Insurance Marketplace Statement. Exchanges to provide to enrollees.

If you are a WEX client, we're able to file everything for you. Last year, compliant filings helped our clients avoid over $50 million in potential federal penalties.

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IRS forms

The Affordable Care Act (ACA) created reporting requirements under the Internal Revenue Code sections 6055 and 6056. Under these reporting rules, certain employers must provide information to the IRS about the health plan coverage they offer (or do not offer) to their employees.

This reporting helps the government verify coverage and enforce ACA requirements. It also provides the government with information to administer other ACA mandates, such as the large employer shared responsibility penalties and the individual penalty.

› Section 6055

Employee

Anyone that received Minimum Essential Coverage (MEC)

Required information on Form 1095-C (ALE Members) or Form 1095-B (non-ALE), such as:

- Name and SSN of every person covered under the employee's program or policy
- Months that the employee and any dependents were enrolled and entitled to receive benefits

IRS

Completed Forms 1095-C (ALE Members) or completed Forms 1095-B (not an ALE Member), and their respective transmittal forms (1094-C or 1094-B).

The IRS will use this information to enforce penalties under the employer and individual mandates.

› Section 6056

Employee

Anyone that was a full-time employee (FTE)

Required sections of Form 1095-C, including employee information such as:

- Whether coverage was offered by calendar month
- Employee's share of the lowest cost monthly premium by calendar month
- Whether an applicable 4980H Safe Harbor was used by calendar month

IRS

Completed Forms 1095-C plus required sections of Form 1094-C, including ALE Member information such as:

- Total number of FTEs per calendar month
- Total headcount per calendar month
- Certification that Minimum Essential Coverage was offered per calendar month

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Which forms?

Do you offer Minimum Essential Coverage under a self-insured plan?

- **Yes** → Are you an Applicable Large Employer?
  - **Yes** → **6055 & 6056 (combined 1095-C)**
  - **No** → **6055**
- **No** → Are you an Applicable Large Employer?
  - **Yes** → **6056**
  - **No** → **Neither**

Most employers file electronically (required when filing 10+ returns). Employers that qualify to furnish upon request under the Paperwork Burden Reduction Act (PBRA) must provide forms by 1/31 or within 30 days of a request, whichever is later. If a due date falls on a weekend or holiday, the next business day applies.

Required 6056 submissions

Form 1094-C and copies of all 1095-Cs to the IRS by 3/31 (electronic) or 2/28 (paper). Form 1095-C to employees by 3/2, unless the employer qualifies to furnish upon request under the PBRA.

Required 6055 submissions

Form 1094-B and copies of all 1095-Bs to the IRS by 3/31 (electronic) or 2/28 (paper). Form 1095-B to employees by 3/2 unless the employer qualifies to furnish upon request under the PBRA.



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Special cases

Plan affordability

Many employers don't understand other factors that influence plan affordability, such as **payments for not taking company-provided health insurance and wellness plans.**



1 Payments

It's common for employers to offer a payment to employees who do not accept employer-provided health insurance. However, these payments can cause problems under ACA.

IRS regulations clarify that those payments generally figure in to plan affordability. **By accepting healthcare, employees give up that sum in salary.** As such, the plan is considered to cost that much more.

Be sure to factor this in when making decisions about your company's healthcare plans!

2 Wellness

Employer-sponsored wellness plan incentives can also factor in to determining plan affordability.

For example, some employers contribute to their employees' flex spending accounts as an incentive for participating in wellness programs.

Under ACA, employer flex contributions can only reduce the amount of employee contributions when determining affordability if the contributions:

- Can only be used for medical care
- Cannot be received as a taxable benefit, and
- Are limited to health spending.

Don't forget to make sure the incentives for your wellness plans are within EEOC guidelines!

For purposes of determining affordability:

Wellness incentives (other than tobacco-related incentives) are treated as if all employees fail to meet the incentive.

This means the higher premium amount, without the incentive, is used in the affordability calculation for all employees — regardless of whether they actually meet the incentive.

Tobacco-related incentives are treated as if they are earned by all employees. In this case, the lower premium amount, with the tobacco incentive applied, is used in the affordability calculation.

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Noncompliance

The Internal Revenue Code includes penalties for ACA filing failures, which—in addition to late filings include failure to include all of the required information on the return or including incorrect information.

Separate penalties apply for returns filed with the IRS and for statements furnished to individuals. Thus, filing failures can easily result in "double" penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

For filings made in 2026, the penalty is up to $340 for each return or statement to which a failure relates, capped at $4,098,500 per calendar year. Note: The cap does not apply if the failure is deemed an intentional disregard of reporting requirements.

These amounts are reduced if failures are corrected by the following dates:



Thirty-Day Rule

If a failure is corrected within 30 days after the required filing date (or the deadline for furnishing individual statements), the penalty is reduced to $60 per return or statement, with a calendar-year cap of $683,000 for filings made in 2026.



August 1 Rule

If a failure is corrected after the 30-day rule described above but on or before August 1, the penalty is reduced to $130 per return or statement, with a calendar-year cap of $2,049,000 for filings made in 2026.



Filing failures can easily result in "double" penalties—one for the return filed with the IRS and a second penalty for the statement furnished to an individual.

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Stay ahead of ACA administration with WEX

ACA can be confusing, but it doesn't have to be! Partnering with us is the easiest way to reduce your workload and protect your organization from costly mistakes. Send us your data, and we'll get to work.

How WEX can help



Flexible support options

Choose from full-service administration or a reporting-only solution.



Dedicated support

A designated account manager handles your ACA responsibilities year-round.



Accuracy you can trust

Error-free reporting that keeps you fully compliant with IRS regulations.



Easy file transfers

We work with multiple file formats and vendors. No need to program to our specs.

ACA administration with WEX minimizes your risk and keeps you in compliance.

We handle every aspect of ACA administration so you don't have to — protecting you from costly fines and penalties, and saving you valuable time, energy, and resources.

Ready to simplify ACA reporting?
Contact WEX today.

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About WEX

WEX (NYSE: WEX) is the global commerce platform that simplifies the business of running a business. We have created a powerful ecosystem that offers seamlessly embedded, personalized solutions for our customers. Through our rich data and specialized expertise in simplifying benefits, reimagining mobility, and paying and getting paid, WEX aims to make it easy for companies to overcome complexity and reach their full potential. For more information, please visit www.wexinc.com.