

The IRS provides two sets of codes for lines 14 and 16 respectively, that filers will need to use in a consistent way to describe their offers of health coverage. Each code describes a different situation regarding the offer of coverage, or explains why the employer should not be subject to a penalty for a certain employee on a monthly basis.

The first list of codes is for Line 14 of the 1095c form and I have provided a breakdown on page 2 of this document. They address:

- Whether an individual was offered coverage
- What type of coverage was offered
- Which months that coverage was offered

The second list of codes is for Line 16 on the 1095c form and I have provided a breakdown of page 3 of this document. They address:

- Whether the individual was employed and, if so, whether the employee was full time or part time.
- Whether the employee was enrolled in coverage
- Whether coverage was affordable, and if so, based on which IRS safe harbor.

The respective breakdowns on page 3 will provide an overview of the codes, descriptions that will sound similar to our *Codes Help Sheet*, brief general explanations of when the codes should be used, and a clarification of what the effect of choosing that code may be.

2018 I get asked a lot each year what MEC & MV mean, these are right from the IRS filing instructions that everyone should have a copy of and be following along with:

Minimum Value – “A plan that provides minimum value if the plan pays at least 60% of the cost of benefits for standard population and provides substantial coverage of inpatient hospitalization services and physician services.”

Minimum Essential Coverage (MEC) – “Although various types of health coverage may qualify as minimum essential coverage, for purposes of these instructions, minimum essential coverage refers to health coverage under an eligible employer-sponsored plan. For more details on minimum essential coverage, see Minimum essential coverage in Pub. 974.

<https://www.irs.gov/pub/irs-pdf/p974.pdf>

1095-C Line 14

| Code | | What does the code mean? |
|-----------|--|--|
| 1A | You made a Qualifying offer: You offered Minimum Essential Coverage (MEC) with Minimum Value (MV) to the Employee (EE). The offer is affordable because it's less than or equal to 9.56% of the single, mainland federal poverty line(FPL). You offered MEC to Spouse & Dependents. **2018 plan is year \$12,060 * 9.56% = \$96.08/month Using 1A means that the employees out of pocket cost, had they selected single only coverage of your cheapest offered plan, was less than \$96.08 out of pocket per month. It does not matter what plan/type the employee actually chose. This is only to show coverage is affordable and available to your employees. | <ul style="list-style-type: none"> You offer coverage to EE's, Spouses & Children You offer MEC providing MV (Qualifying Offer) Your coverage is affordable at the employee-only level because it's less than or = to 9.56% of the federal poverty line safe harbor test. |
| 1B | You only offer coverage to EEs. The coverage is MEC and provides MV. | <ul style="list-style-type: none"> You exclude spouses & children from your plan. |
| 1C | You offer coverage to EEs that is MEC and MC and offer MEC to EE's children. Spouses are not offered coverage. | <ul style="list-style-type: none"> You exclude spouses from your plan. |
| 1D | You offer coverage to EEs that is MEC and MV and offer MEC to EE's spouses. Children are not offered coverage. | <ul style="list-style-type: none"> You exclude children from your plan. |
| 1E | You offer coverage to EEs that is MEC and MV and offer MEC, but no MV to EE's spouse and children. | <ul style="list-style-type: none"> The difference between this code and 1A is that the coverage may not be considered affordable or it is affordable based on a safe harbor code 2F or 2H. You cannot use 2G on line 16 if you use 1E. |
| 1F | You offer MEC to the EE or EE + Spouse and/or dependents but the coverage does not provide MV. | <ul style="list-style-type: none"> Your coverage does not provide MV. |
| 1G | You offer self-insured coverage to an EE who was not a full time at any point in the year. | <ul style="list-style-type: none"> You offer a self-insured plan. Non-Full time EEs are eligible for your plan. The EE was enrolled in the plan, for this month. |
| 1H | You made no offer of coverage (or one that didn't provide MEC for the EE). | <ul style="list-style-type: none"> The EE was not yet hired The EE was in a limited non-assessment period (Probationary period for new hire). Your offer of coverage was not MEC. The employee terminated and you offered COBRA. |
| 1J | You offer MEC providing MV to the EE, the offer of coverage is conditionally offered to EE's spouse, & MEC was not offered to the employee's dependents. | <ul style="list-style-type: none"> You offer coverage that is MEC and MV to EE. You conditionally offer MEC to spouse. You did not offer MEC for the EE's dependents. |
| 1K | You offer MEC providing MV to the EE, the offer of coverage is conditionally offered to EE's spouse, & MEC was offered to the employee's dependents. | <ul style="list-style-type: none"> You offer coverage that is MEC and MV to EE. You conditionally offer MEC to spouse. You offer MEC for the EE's dependents. |

A conditional offer of coverage is an offer of coverage that is subject to a certain conditions which would impact availability of coverage for the spouse of the employee. One example of a conditional offer of coverage would be if an employee offered health coverage to an EE and their spouse, unless the spouse was otherwise eligible for another group health plan sponsored by another employer.

1095-C Line 16

| Code | What does the code mean? | When should I use the code? |
|-------------|---|--|
| 2A | You did not employ this person during the month. | <ul style="list-style-type: none"> The EE is not yet hired. The EE is no longer employed. |
| 2B | The EE was not full time (FT) for this month. | <ul style="list-style-type: none"> The EE is part time. The EE is seasonal or variable hour. The EE is in a measurement period and his/her FT status is not yet established (Probation). (See code 2D). |
| 2C | The EE enrolled in the coverage you offered. | <ul style="list-style-type: none"> The EE accepts and enrolls in your offer of coverage. IF you have an option between code 2C & another code, use 2C. |
| 2D | The EE was in a limited Non-assessment Period for the month (Probation). | <ul style="list-style-type: none"> The EE is in a waiting period under the Monthly or Look-Back measurement method. The EE is in an initial measurement period under the Look-Back method. The EE is in the first calendar month of employment and did not start on the first day of the month It is your first year as an applicable large employer (ALE) The Employee has a change in status during his/her initial Look-back measurement period. |
| 2E | You are eligible for the multiemployer interim relief rule. | <ul style="list-style-type: none"> Some portion of your workforce is eligible for a multiemployer (Union) plan. You make an ongoing contribution to the plan on behalf of the EEs. |
| 2F | The coverage you offered is affordable based on the Form W-2 safe harbor.* | <ul style="list-style-type: none"> Coverage is affordable for this EE based on the W-2 safe harbor method. You used the W-2 safe harbor for every month that the EE is offered coverage. |
| 2G | The coverage you offered is affordable based on the Federal Poverty Line safe harbor.** | <ul style="list-style-type: none"> Coverage is affordable to this EE based on the federal poverty line safe harbor method. |
| 2H | The coverage you offered is affordable based on the Rate of Pay safe harbor.*** | <ul style="list-style-type: none"> Coverage is affordable to this EE based on the rate of pay safe harbor method. |

*W-2 Wages: 9.56% of an employee's W-2 wages (reduced for salary reductions under 401(K) plan or cafeteria plan).

**Federal Poverty Line: 9.56% of the Federal Poverty Line for a single individual (\$96.08/month).

*** Rate of Pay: 9.56% of an employee's monthly wages (Hourly X 130 hours per month).

If you don't fill in codes for Lines 16, it leaves a large opportunity for the IRS to charge you with penalties. Please refer to ACA Update 1 for the breakdown of the penalties.