



National Payroll Reporting Consortium

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Gentlemen:

We are writing to make a recommendation to improve the accuracy of Affordable Care Act Information Reporting under Section 6056; i.e., Forms 1095-C. The National Payroll Reporting Consortium (NPRC) is a non-profit trade association whose member organizations provide payroll processing and related services, including electronic filing of federal employment tax and IRS Information returns, to over 1.4 million employers nationwide, covering over one-third of the private sector work force.

The recent Trade Preferences Extension Act more than doubled penalty amounts applicable to errors in 2015 Forms 1094-C/1095-C, among other information returns. Even before the Act, Applicable Large Employers (ALEs) have been concerned about possible penalties arising from Forms 1095-C, because the new IRS Affordable Care Act Information Returns (AIR) electronic filing system for Forms 1095-C may assess penalties for employee names and/or Social Security Numbers (SSNs) that don't match the IRS database.

Employers are accustomed to the Social Security Administration's W-2 reporting system, which does not generally result in name/SSN accuracy penalties. In contrast, the IRS assesses penalties for payee names and/or SSNs that don't match the IRS's database on Forms 1099 and other information returns that are filed directly with the IRS.

Now, for the first time, employers will be filing information returns to the IRS directly to report health coverage information for their employees via the Forms 1095-C. The new IRS AIR system could assess name/TIN mismatch penalties for employees that may have been on an employer's payroll



system for years. Further, self-insured employers will be gathering and reporting for the first time the TINs of employees' dependents and spouses.

Here's the problem. Although employers have ample incentives to ensure accurate Forms 1095-C, ALEs that are diligent and willing to take action to improve the accuracy of Forms 1095-C have no tools to do so.

- ALEs that wish to verify employee SSNs and names to improve the accuracy of Forms 1095-C cannot use the SSA's [Social Security Number Verification system](#).
 - SSA will verify SSNs and names solely to ensure that the records of current or former employees are correct for the purpose of completing Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement).
 - Anyone who knowingly and willfully uses SSNVS to request or obtain information from SSA under false pretenses violates Federal law and may be punished by a fine, imprisonment or both.
 - Social Security Number Verification Service (SSNVS) Handbook, June 2015
- ALEs that wish to verify employee SSNs and names to improve the accuracy of Forms 1095-C cannot use the Department of Homeland Security's [E-Verify system](#). This system is restricted exclusively for use in confirming the validity of employee names and SSNs, and the eligibility of employees to work in the United States.
- ALEs that wish to verify employee SSNs and names to improve the accuracy of Forms 1095-C cannot use the IRS's [TIN Matching System](#).
 - TIN Matching is part of a suite of Internet based pre-filing e-services that allows "authorized payers" the opportunity to match 1099 payee information against IRS records prior to filing information returns.
 - An authorized payer is one who has filed forms 1099-B, 1099-DIV, 1099-INT, 1099-K, 1099-MISC, 1099-OID or 1099-PATR with the IRS in at least one of the two past tax years.
- Lastly, SSNs are likely to be truncated on most Forms 1095-C, so even affected employees may not be able to notice and address an incorrect SSN, such as a transposed number.

It is clearly in the IRS's best interest that Forms 1095-C be reported with SSNs and names that actually match the associated U.S. Individual Income Tax Returns.

Given the penalty exposure for employers, and the interests of the IRS in promoting and enabling accuracy in information reporting, the IRS should clarify the applicable guidance to permit ALEs to use one or more of these alternatives; most likely the IRS TIN Matching system. Alternatively, the IRS could work with SSA to clarify that the SSNVS system is available to employers for the purpose of ensuring that the records of current or former employees are correct for the purpose of completing IRS Forms W-2 **and Forms 1095-C**. From a practical perspective, any correction to an employee's name and/or SSN will correct both information returns.



We have long worked with the IRS Information Reporting Program Advisory Committee (IRPAC), as well as IRSAC and ETAAC, all of which have made similar recommendations and appeals over the years to improve program administration. We believe that the IRS feels constrained in their ability to offer any such tools or information to employers, even if designed specifically to not convey protected tax information; e.g., a pass/fail indicator. We therefore ask the Treasury Department to consider prioritizing regulatory guidance (if possible) or legislative recommendations. Employers should be given the tools they need to fulfill their responsibilities and produce accurate information returns.

We appreciate the opportunity to offer suggestions to improve the accuracy of Affordable Care Act information returns. We hope that these suggestions will reduce errors and make the IRS's ACA information reporting systems more effective. We would be pleased to discuss this further if it would be helpful.

Sincerely,

A handwritten signature in blue ink, appearing to read "Pete Isberg", is positioned above the typed name.

Pete Isberg
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cc: Martin Pippins, Director, Customer Service & Stakeholder Relations, IRS ACA Office