



National Payroll Reporting Consortium

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Ms. Candice Cromling  
Director, National Public Liaison  
Internal Revenue Service  
1111 Constitution Ave., NW  
Washington, DC 20224

Mr. Martin Pippins  
Director, Customer Service and Stakeholder Relations  
Affordable Care Act (ACA) Office  
Internal Revenue Service  
1111 Constitution Ave.,  
NW Washington, DC  
20224

*Via email*

Dear Ms. Cromling and Mr. Pippins:

Thank you for hosting the discussion on December 21 concerning employer preparedness for filing and furnishing Forms 1095-C, *Employer-Provided Health Insurance Offer and Coverage*. You invited participation by employer associations, consultants, payroll service providers, and IRPAC representatives who are deeply engaged in assisting employers for this initial reporting year.

The group estimated that as much as 30% of Applicable Large Employers (ALEs) may need to request an extension of the deadline to furnish Forms 1095-C to employees, which are due by February 1, 2016, for tax year 2015. In contrast, there were no concerns expressed about the process for requesting extensions of the deadline for filing Forms 1094-C/1095-C with the IRS, which is February 29, 2016 for paper forms and March 31, 2016 for electronic filing.

We asked that the IRS issue immediate guidance permitting an automatic 30-day extension of the deadline for furnishing Forms 1095-C to employees upon request by the employer, possibly with a requirement to notify employees of the delay. Currently, employers must send a letter requesting the extension to the IRS, which can be submitted as late as February 1, and await approval. It will be difficult for the IRS to evaluate and respond on a timely basis to what may be tens of thousands of requests in January.

**Notice to employees**

We understand that the IRS is very concerned about the impact these extensions could have on the tax season start date (January 19, 2016), and the preference that all taxpayers have these 1095 series statements by February 1. During our meeting, an expert suggested that employers (or their service providers) issue a notice to employees. The notice would advise employees of a possible delay in furnishing the form and explain that, in most cases, there is no need to delay preparation and filing of an income tax return. Most taxpayers will not need Form 1095-C to file; generally only those with gaps in health coverage of three months or more and those who received a Premium Tax Credit. For those who need the information on the form, the notice can suggest several alternative sources to obtain the needed information.

**Employer difficulties**

Certain employer populations are having difficulties in this transition year. First, some employers have had difficulty finding an appropriate service provider to assist them with the Section 6056 reporting requirements. Many service providers reported having ceased offering services to new clients. This is a transition-year issue. Service providers and employer groups reported that data must be drawn from several separate information systems that have not previously needed to share data, and so there is no data interoperability between such systems (e.g., Payroll, Human Resources, Benefits, Employee Leave of Absence administration, Time and Attendance, COBRA coverage and retiree health coverage administered by third parties, and so on). Each system and each administrator faced many requests from many service providers, in a variety of data formats. In addition, data definitions vary and sometimes conflict, so every ALE requires painstaking analyses and data adjustment, often requiring research of paper records.

Second, many ALEs with 50-99 employees misunderstood the additional one-year delay of the Section 4980H Shared Responsibility assessments and thought that they were also not required to report for 2015.

Third, many employers with fewer than 50 employees discovered late in the year that they may be part of a “controlled group,” and therefore required to file and furnish Forms 1095-C. Determination of controlled group status is a complex question, and many small employers lack ready access to legal and/or tax professionals.

**Practicality of 30-day extension**

The IRS questioned how helpful another 30 days would be, from a practical perspective. There are at least three ways an extension would benefit the IRS, employers, service providers, and ultimately taxpayers. First, employers who have been declined help from service providers would benefit if the requirement to furnish a 1095-C could be automatically extended by 30 days upon request, because service providers might be able to accept more clients. However, this assumes an IRS announcement within the first few days of 2016.

Second, the need for extensions may extend well beyond this year of transition. Depending on an employer’s payroll schedule, some prior-year benefits data will be received in mid-January (e.g., January 15 payroll date) and will take time to analyze and apply. This may drive an ongoing need for extensions, year after year.

Further, the IRS, employers, and taxpayers will benefit through improved data quality. Because of the diverse sources of data mentioned earlier, these forms must undergo extensive review and quality assurance procedures, which take time.

We urge the IRS to act quickly to make the extension of the deadline to furnish Forms 1095-C to employees automatically approved upon request, similar to the treatment of requests to extend the deadline for filing Information Returns, including Forms 1095-C. Finally, it would be helpful to clarify that authorized service providers and controlled groups are able to electronically file a bulk extension request on behalf of applicable clients or controlled group members, to facilitate processing for all parties involved, including the IRS. We believe that an automatic 30-day extension upon request would serve to facilitate a smoother tax season, ease this transition year, improve data quality, and improve employer compliance.

We would be pleased to discuss this further or to provide additional information if it would be helpful. Thank you again for the extraordinary outreach efforts over the past year.

Sincerely,



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