

ACA State Individual Mandates

What a year 2020 has been and continues to be. Is anyone else ready to ring in 2021 just to say goodbye to the mess that 2020 has been? With that said, there are still some things in 2020 that can't be washed away with the passing into a new year.



The Affordable Care Act individual mandate was up before the US Supreme Court in 2012 and was ruled constitutional; however, in 2017, Congress passed the Tax Cuts and Jobs Act which eliminated the Federal "individual mandate" penalty effective January 1, 2019. Many states took that change to be just the initiative they needed to enact their own state mandate.

In 2020, California, New Jersey, Rhode Island, Vermont, and District of Columbia joined Massachusetts in enforcing the state mandate and requiring employers to now report healthcare information to the state agency. Summary of the States Requirements (For more information, go to the website for each state)

Massachusetts: Effective for January 1, 2007 and after. The law requires state residents to maintain Minimum Credit Coverage (MCC) or face a potential state tax penalty. Though employers have no obligation to provide MCC for their employees, many employees use their employment-based health coverage to satisfy the individual MCC mandate. The employer reporting requirements compels the health plan sponsors to determine whether the coverage they offer meets MCC standards.

Massachusetts reporting: Plan sponsors and state related insurers are required to report MCC information. Most Self-insured plan sponsors use third party firms to distribute forms and file the Dept of Revenue (DOR) report due by January 31st annually. The Form MA 1099-HC is used in Massachusetts.

<https://www.mass.gov/service-details/aca-employer-shared-responsibility-reporting>

California: Effective for January 1, 2020 and after. The law imposes a tax penalty on any state resident who fails to maintain Minimum Essential Health Coverage (MEC) for themselves and their dependents, which include spouses, dependent children, and domestic partners. The penalty won't apply for individuals whose premium contribution for health coverage exceeds 8.3% of household income. Individuals who aren't required to file California income taxes do not have to maintain MEC coverage.

California reporting: Self-insured plan sponsors, health insurers, and other entities providing MEC to residents of CA must report to the California Franchise Tax Board no later than March 31st annually. Notices must go to the covered individuals by January 31st annually. Failure to report this coverage can trigger \$50 penalty per affected individual per tax year. Currently, the state will accept 1095-C form and accompanying electronic XML transmission information used for federal filing to be submitted to state.

<https://www.calpers.ca.gov/page/employers/policies-and-procedures/aca-guidance>

New Jersey: Starting with Tax Year 2019, the New Jersey Health Insurance Market Preservation Act requires state residents to maintain Minimum Essential Health Coverage (MEC) for themselves and their family. Failure to maintain coverage will result in a Shared Responsibility Payment when you file your 2019 Tax return. There are



exemptions to this law, and you can see if you qualify at the state site. This only applies to residents who are required to file a New Jersey state tax return.

New Jersey reporting: By May 15th annually, responsible parties (Self-Insured plan sponsors or health coverage providers) must provide to the New Jersey Division of Taxation with 1095 health coverage forms for each primary enrollee who was a NJ resident and to whom MEC was provided in 2019. This applies to both part-year and full-year NJ residents. The State of New Jersey uses the same federal 1095-B/1095-C forms to date and must be filed using the New Jersey electronic rules. Responsible parties must meet the March 2nd deadline for sending 1095s to primary enrollees and a single federal/state form is sufficient for state and federal purposes; however New Jersey is NOT FOLLOWING the IRS practice on 1095-B forms and will require that a form be sent to each primary enrollee.

*Part-Year is defined by living in the state for at least 15 days in a month.

**Out of state employers who provide health coverage to a New Jersey resident must adhere to the same rules as New Jersey based businesses.

***There is no paper filing option in New Jersey.

<https://www.nj.gov/treasury/njhealthinsurancemandate/employers.shtml#:~:text=Ensure%20that%20each%20primary%20enrollee,both%20State%20and%20federal%20purposes.>

Rhode Island: Rhode Island's health coverage mandate took effect January 1, 2020. It requires that all Rhode Islanders have qualifying health coverage (Minimum Essential Coverage) beginning January 1, 2020 or face potential tax penalty in 2021. You must be a legal resident of the state and this will apply to even part-year residents. The fees are calculated as percentage of household income or per person, whichever is higher. Some exemptions apply and a resident can check the state website for those.

Rhode Island reporting: The State of Rhode Island uses the same federal 1095-B/1095-C forms to date and will be putting out new instructions as they develop them.

<http://www.tax.ri.gov/healthcoveragemandate/index.php>

Vermont: The law takes effect in 2020 requiring residents to have minimum essential coverage but there is no penalty yet.

Vermont reporting: Details to follow as they are rolled out.

<https://humanresources.vermont.gov/data/compliance-reporting/ACA>

District of Columbia: The Washington, DC Individual mandate requires Applicable Large Employers to submit reporting if they offer coverage to a DC resident. Employers must submit reporting for employees with whom wages were withheld and paid in DC.

District of Columbia: Employers must submit the same forms they file with the IRS for their federal ACA reporting which includes 1095-C/1094-C. Employers must upload copies through the state website using prescribed layouts and formats. Employers are not allowed to submit via paper or web services. The deadline to file is 30 days after the IRS deadline annually (including any IRS extensions).

<https://dchr.dc.gov/page/affordable-care-act-form-1095-c-frequently-asked-questions>

