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# ACA Reporting, Part 1: 8 Big Questions & How to Answer Them with Sage 100 2016


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Are you one of the people at your company responsible for reporting employee earnings data in compliance with the Affordable Care Act (ACA)? Then you know figuring out how to do this correctly can be overwhelming!

I discovered through my own research that no matter how many articles I read about the ACA reporting—particularly with Sage 100 2016—I still have unanswered questions. However, I did unravel a few key points that should help you, too.

To start, note that Sage 100 2016 has built-in ACA features, which are also available in the latest updates for versions 4.5 through 2015. That said, here I will focus on Sage 100 2016.

Let's start at the source of reporting requirements – the Internal Revenue Service (IRS).

Those fluent in legalese may breeze through the 59-page IRS rule document, [Shared Responsibility for Employers Regarding Health Coverage](#), which covers employer shared responsibility rules and regulations for reporting. If you're like most of us, you may find the array of options, exceptions and instructions to be quite dizzying.

## The Big 8 Questions

There are basically eight pieces of information employers are required to produce at year-end to effectively report for ACA, so be prepared to answer:

1. Is my company an Applicable Large Employer (ALE) subject to the ACA reporting requirements? *If not, you're done. If yes, continue.*
2. Is my company a self-insured employer?
3. Does my company offer employees Minimal Essential Coverage (MEC) that provides the Minimum Value (MV) required?
4. How much does minimal essential coverage cost each employee? Is this coverage considered affordable?
5. How many full-time employees (FTEs), by month, did my company employ in 2015?
6. How many people were employed in each month (or pay period), of 2015?



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7. Is a particular employee considered full-time?

8. Did a particular employee enroll in coverage? If not, why not?

If you know the answers to all eight questions, you have all the information you need to fully comply with reporting requirements.

The problem comes down to the complexity of the rules in *identifying and answering* these answers.

Read on for further explanation about each of these eight questions, and the information and tools available—if any—from the Sage 100 system to help. Please note, all examples refer to reporting for the calendar year of 2015.

**Disclaimer!** *I am not providing legal advice, tax advice, a political opinion or the last word on the ACA reporting. I am simply sharing results from my research, which includes articles from a variety of sources, along with my own understanding of Sage software as a technical consultant nearly 20 years. Know, too, that I won't be shy about telling you where Sage 100 falls short.*

### Where do I store the information in Sage 100?

Sage 100 2016 contains fields where you can enter information from these eight questions that will print directly on these ACA-required forms:

- Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return
- Form 1095-C: Employer Provided Health Insurance Offer and Coverage

All of the data supplied to print on the 1094c & 1095c must be either manually input or imported into the system using Visual Integrator, with the exception of the monthly FTE and employee counts for Part III of the 1094c.

When the Sage 100 system does write these values for you, as in the case with the 1094c form, Part II (lines 24-35), it uses a formula to approximate counts rather than using actuals, because that information simply isn't available. I'll discuss this further in the section "How Many FTEs, by month, did I have in 2015?"

Now, let's move on to the Big Eight questions, and how Sage 100 helps to answer them.

### 1. How do I know if my company is an Applicable Large Employer (ALE) subject to ACA reporting requirements?

- **How this is determined:** In general, employers who have more than 50 Full-Time Equivalent (FTE) employees or employers of any size who are self-insured are subject to the ACA reporting requirements. The calculation for determination varies greatly on the type of employer (educational, government, industry, etc.) and type of employees (commissioned, seasonal, piece workers, educators, etc.), as well as whether or not the employer belongs to a group of commonly owned entities.

For small businesses that do not employ a large number of part-time employees and are not part of an aggregated group of employers, determining ALE status will be pretty straight-forward—a simple head count. Businesses that employ large numbers of part-time employees,



A very gracious man as well - it was my pleasure to interview him for our piece on the Net Promot

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however, may need the help of a consulting group that specializes in ACA reporting.

- **How Sage 100 can help:** The **Applicable Large Employer report** in Sage 100 can read the perpetual history files for any pay period range defined. This report is good to do a lookback in 2014 to calculate an approximate FTE total for the year, which assists with determining ALE status. However, that is not what this report is designed to do. Its true purpose is to auto-fill the fields with the 2015 data that prints on 1094c, Part III.

## 2. Is my company a self-insured employer?

- **What does it mean for a company to be self-insured?** A self-insured company is an employer that pays not only the employee premiums, but also the administrative fees which an insurance agency picks up in a “fully-insured” scenario.
- **How this is determined:** Companies that are self-insured generally work with an insurance administrator, thus are generally aware of this status. Your health insurance company can answer the question of whether or not your company is a self-insured employer.
- **If my company is self-insured, what are my unique requirements?** Companies that are self-insured are required to provide names, social security numbers, dates of birth and coverage elections by month for every person covered on Part III of the 1095c.
- **How Sage 100 can help:** In the Sage 100 **ACA Employee Maintenance** screen, once the self-insured box is checked, you will see a menu option to open up the applicable fields where you can manually input this information.

## 3. Does my company offer employees Minimal Essential Coverage (MEC) that provides the Minimum Value (MV) required?

- **How this is determined:** Healthcare insurance that covers all items defined in the Affordable Care Act is considered Minimal Essential Coverage. If the insurance covers at least 60% of the cost of these items it is considered to provide Minimum Value.
- **How Sage 100 can help:** This is not information that will be stored or available in Sage 100. Your insurance company will provide you with the records you need to determine if you offer MEC/MV to your employees.

## 4. How much does MEC/MV coverage cost each employee? Is this coverage considered affordable?

- **How this is determined:** The lowest cost premiums available for employee-only MEC/MV coverage that are offered to the employee (not necessarily the coverage he/she has selected) must not exceed 9.5% of the employee’s net household income. Since employers will not generally know an employee’s household income, there are three methods to determine if the coverage is considered “affordable.”

If the cost of the MEC/MV policy is less than or equal to one of the amounts calculated by any of these three methods, the employer is

deemed to have “safe harbor” from penalties for not offering affordable coverage.

These are the methods:

1. **W2 Wages:** Compare 9.5% of the employee’s W2 wages to employee-only share of the lowest cost policy premium. The latter must be a smaller number for the employer to be ACA compliant.
  2. **Rate of Pay:** Compare the employee’s rate of pay to the premium. If the monthly employee-only portion of the lowest available premium is less than  $(130 * \text{rate of pay} *.095)$ , the coverage is deemed affordable.
  3. **Federal Poverty Line:** Finally, if the annual employee-only portion of the lowest-cost premium is less than 9.5% of the federal poverty line (for one person) the coverage is considered affordable. In 2015, the federal poverty line (for one person) was \$11,770. The calculation to consider affordability would be  $(11770 *.095)/12 = 93.18$ . If the employee-only portion of the policy amount is less than \$93.18/mo, the coverage is deemed affordable.
- **How Sage 100 can help:** First, the insurance companies will provide cost details to the employer. In Sage 100, you will find the employee pay rate and W2 wage information so you may compare the policy and employee wage amounts to determine if the employer falls within the safe harbor. This is important because if an employee applies for coverage on the insurance market and receives tax credits, and the employer has not provided affordable coverage, they can be subject to a fine.

**Next time: [Questions 5 through 8, and how to e-File using Sage 100 2016.](#)**

#### About Barbara Knudsen

*Barbara Knudsen has been providing quality telephone support on Sage products for more than 19 years. As a Certified Support Specialist, Sage has invited her to participate in many discussion panels. Prior to joining the MicroAccounting team, she was a financial analyst in the healthcare industry and worked as a CPA in public accounting.*

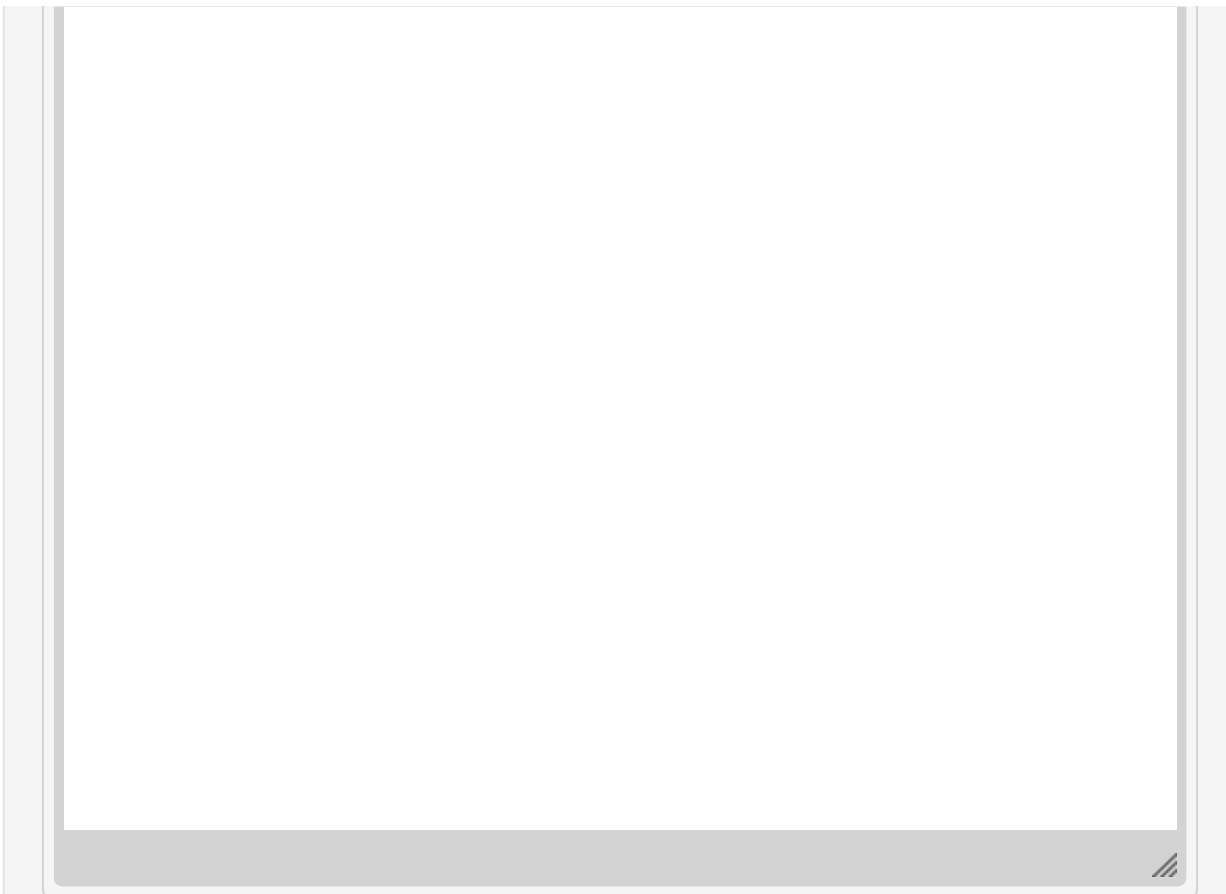
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