

ACA PENALTY NOTICES: WHAT TO DO

WHAT IS IRS LETTER 226J?

IRS Letter 226J informs an employer about discrepancies or potential violations that the IRS has found in its ACA compliance – specifically with regard to the employer’s shared responsibility provisions under the ACA. The letter outlines:

- » the specific issues identified;
- » the proposed penalty amount – this can range to six figures or more;
- » and instructions for responding.

Employers are given a timeframe to respond and can either agree with the proposed penalty or contest it. Contested penalties can be avoided or mitigated by:

- » providing additional or corrected documentation to verify ACA compliance
- » or carrying out any outlined procedures to achieve ACA compliance.

Addressing a Letter 226J promptly and accurately is crucial, and employers are strongly recommended to work with an experienced ACA compliance and filing specialist to navigate this remediation process successfully.

IRS Letters 226J have also been sent to employers in connection with ACA non-compliance. This is a more general communication sent to inform an entity that the IRS has identified some form of tax discrepancy or potential issue. This could be, for example, that the employer qualifies as an Applicable Large Employer [ALE] but has not filed ACA compliance.

NEXT STEPS

1. If you have received an IRS Letter 226J, **notify the IRS now** by calling their offices on +1-866-379-6176 & request an extension. If you receive a state penalty notice, notify the relevant state office & request an extension.

2. Then contact **BENEFITSCAPE** at +1-508-655-3307 or info@benefitscape.com.

In the 2023 tax year alone, **BENEFITSCAPE** saved employers on all major HCMs over \$50m in remediated ACA penalties. You can learn about our **ACA_regtech*** at BENEFITSCAPE.com.

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