

ACA Compliance TY26

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# A Guide to Hassle-Free ACA Reporting

IRS changes, common errors, and  
useful tips for Tax Year 2026



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**BENEFITSCAPE™** Employer Guides & Resources

# BENEFITSCAPE

Orchestrating the Benefits Ecosystem

April 2026

## An introduction from Kim Phillips

If you read only one ACA guide for this new tax year, please make sure it's this one! There are plenty of guides out there. Lots contain errors, some are just plain wrong, and more and more are loosely AI-generated. Most are confusing, to say the least.

As if ACA governance, risk management & compliance weren't time-consuming and complicated enough! Even the name is confusing:

Is PPACA the same as ACA?!

[The answer BTW is yes. ACA is just a shorter abbreviation of Patient Protection and Affordable Care Act.]

So we've done our best in this guide to keep things short.

What follows are the key IRS changes for TY26 [reporting in 2027], a few practical tips & some common errors to avoid.

If you have questions not covered here – from troubleshooting HCM data to filing after a merger or acquisition – please don't hesitate to contact BENEFITSCAPE. We are the leading ACA specialists offering employers a unique combination of benefits experience, compliance expertise, and a deep understanding of data technology, including our own ACA\_RegTech. This system-agnostic RegTech runs intelligent diagnostics and other extended functionality on all HCM platforms to deliver streamlined, accurate & hassle-free ACA reporting.

Whatever your ACA needs, BENEFITSCAPE has you covered.

*Kim Phillips*

**BENEFITSCAPE CO-FOUNDER & CEO**

## The projected TY26 deadline for e-filing is March 31, 2027...

And yes, no paper returns. Not if you are filing more than 10 returns.

All Applicable Large Employers [ALEs] need to e-file FORM 1094-C and all FORMs 1095 to the IRS via the IRSAIR System [IRS ACA Information Returns].

If you are a member of a Multiple Employer Welfare Arrangement [MEWA], it doesn't matter that your own company may be only a handful of people. You still have to e-file as part of the MEWA.

» **TIP: Transmitter Control Codes.** Only IRS-certified e-filers can file via IRSAIR. If your organization does not have an IRS Transmitter Control Code [TCC], it is important to confirm your ACA vendor does. BENEFITSCAPE provides a TCC-certified filing service for employers. Securing a TCC can be a time-consuming and difficult process. So plan ahead and don't get caught out.

» **'FALSE' DEADLINES:** Batch processing of IRS submissions means HCMs set earlier 'deadlines' than the IRS. To avoid this, BENEFITSCAPE ACA Services offer all employers individual IRS submissions, regardless of which HCM is used, organizing the process around them.

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## ...and for furnishing Forms 1095 to employees, March 2, 2027

Since TY24 and the Paperwork Burden Reduction Act [PBRA] employers are not required to send a physical or digital FORM 1095-B or FORM 1095-C to employees unless they request a copy.

» **NOTE: STATE MANDATES.** The PBRA does not automatically change the FORM 1095 distribution requirements for employers in states with individual health insurance mandates.

» **NOTICE OF AVAILABILITY:** Employers not distributing FORMS 1095 must, however, provide a 'clear, conspicuous, and accessible notice' to employees informing them that they can request a copy of their form. This form must then be sent to the employee not later than March, 2 [or 30 days after the request]. 'Clear, conspicuous, and accessible notice' must include a physical address, email, and telephone number where employees can make their request for a FORM 1095.

» **NOTE: ELECTRONIC 1095s.** To send a requested FORM 1095 electronically, the employer must first have the employee's consent to receive a digital rather than physical document.

## Common Errors: Form 1094-C

All ALEs must submit a FORM 1094-C to the IRS providing basic information about the employer’s organization and its health coverage for employees.

Employees do not get sent this form.

Most errors on FORM 1094-C occur in Part III, Column [a], which captures whether the ALE offered medical coverage to at least 95 percent of its full-time employees in each month of the calendar year. See the TIP below. [Also see the section on Eligibility & Full-Time Status.]

» **TIP: FORM 1094-C PART III.** Column [a] should be carefully reviewed before submission to the IRS. The most common error is as follows: employers or their reporting vendors indicate ‘YES’ in the initial ‘All 12 Months’ check box, but then [perhaps understandably] leave the subsequent month-by-month boxes blank. If ‘All 12 Months’ is ticked ‘YES’, then all the other, month-by-month boxes in Column [a] must be ticked ‘YES’ too. [See image below.]

### FORM 1094-C PART III

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Form 1094-C (2024)

**Part III ALE Member Information—Monthly**

		(a) Minimum Essential Coverage Offer Indicator		(b) Section 4980H Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Reserved
		Yes	No				
23	All 12 Months	<input type="checkbox"/>				<input type="checkbox"/>	
24	Jan	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
25	Feb	<input type="checkbox"/>				<input type="checkbox"/>	
26	Mar	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
27	Apr	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
28	May	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	
29	June	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	

Even if you have ticked 'Yes' here...  
...you must tick all the other 'Yes' boxes too.

Read more about FORM 1094 at **ACA CENTRAL** on [BENEFITSCAPE.com](https://benefitscape.com/aca-central/irs-reporting-form-1094-c/) by clicking here [link: [benefitscape.com/aca-central/irs-reporting-form-1094-c/](https://benefitscape.com/aca-central/irs-reporting-form-1094-c/)].

## Common Errors: Forms 1095-C

FORMs 1095-C are specific to each individual employee of an ALE eligible for an Offer of Coverage under the ACA; in other words, all employees with full-time status for at least one month of the reporting tax year 2026. To understand the distinction between 1095-B and C, please go to ACA CENTRAL [link: [benefitscape.com/aca-central/irs-reporting-forms-1095-b-c/](https://benefitscape.com/aca-central/irs-reporting-forms-1095-b-c/)].

Part II of FORM 1095-C identifies for each month whether an Offer of Coverage was made, the employee's own contribution amount [for self-only coverage], and an IRS Code denoting this offer and coverage status of the employee.

» **NOTE: IRS CODES.** For an explanation of all IRS ACA Codes, go to ACA CENTRAL [link: [benefitscape.com/aca-central/irs-reporting-aca-codes/](https://benefitscape.com/aca-central/irs-reporting-aca-codes/)].

Error-free IRS coding is just one of the end-to-end ACA Services offered by BENEFITSCAPE. Learn more these services and our ACA\_RegTech here [link: [benefitscape.com/aca-services/](https://benefitscape.com/aca-services/)].

» **NOTE: CODING ALL 12 MONTHS.** If an employee had full-time status for at even just one month of TY26, all months must be coded on that employee's form.

All state-mandated deadlines can be found on **ACA CENTRAL** at BENEFITSCAPE.com by clicking here [link: [benefitscape.com/aca-central/state-aca-mandates/](https://benefitscape.com/aca-central/state-aca-mandates/)].

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» The most common **FORM 1095-C ERRORS & QUESTIONS** are as follows:

- **Line 16 of FORM 1095-C** must never be left blank if an applicable IRS Code is available. If Offer of Coverage qualifies as affordable but is waived by the employee, the employer should still enter an Affordability Code.

If Code 1A (Qualifying Offer) is entered in LINE 14, then enter Code 2G (Federal Poverty Line Safe Harbor) in LINE 16 (even if the instructions seem to indicate a Code is not necessary).

- **Short-term employees** working 30 or more hours/week are considered full-time under the ACA, even if they only work 3 or 4 months and however classified (e.g, short-term, temporary, interns, or co-op employees). They are NOT considered 'Variable Hour Employees'.

- **'Variable Hour (VH) Employee'** is an ACA term referring to new hires who, at time of hire, the employer cannot reasonably determine whether the employee will work full-time hours. It is usually used with the Look Back method [see below] for determining full-time status.
- **Self-employed individuals** are not considered W-2 employees for ACA employer mandate purposes, and no FORM 1095-C is required. Self-employed status includes a sole proprietor, a partner in a partnership, and a 2-percent S corporation shareholder.

You can read more about FORM 1095-C and how it differs from FORM 1095-B by clicking [here](#) or visiting **ACA CENTRAL** [link: [benefitscape.com/aca-central/irs-reporting-forms-1095-b-c/](https://benefitscape.com/aca-central/irs-reporting-forms-1095-b-c/)].

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## Eligibility & Full-Time Status

For TY26, in common with previous years, ALEs are required to provide an Affordable Offer of Coverage meeting both Minimum Essential Coverage [MEC] and Minimum Value [MV] to at least 95% of their Full-Time Employees. This means a value deemed comparable to insurance available on the open market and Affordable [see below] based on their wages. ALEs therefore need to know which employees qualify as full-time.

» **NOTE: FULL-TIME EQUIVALENT [FTE]** employee measures are not relevant here – only actual full-time status. Full-time equivalency is only used to determine an employer's ALE status. You can learn more about ALE status on **ACA CENTRAL** by clicking [here](#) [link: <https://www.benefitscape.com/aca-central/calculating-ale-status/>].

» **IRS 'FULL-TIME' DEFINITIONS & METHODS.** A Full-Time Employee is one who works at least 30 hours of service a week or 130 hours a month. For this purpose, 'hours' include each hour an employee is paid or entitled to payment for performing duties for the employer or entitled to payment even if no work is done (such as paid vacation or sick time).

The IRS approves two methods for determining an employee full-time status: the Monthly Measurement Method and the Look Back Method.

- **Monthly Measurement Method:** Recommended for employers with more structured workforces and a majority of Full-Time Employees. The advantages of Monthly Measurement are efficiency and accuracy, reducing the end-of-year resource burden as well as enabling monthly error diagnostics and pro-active risk management.

- **Look Back Method:** Suited to employers with less clearly structured workforces and a shifting mix of part-time, full-time, and even seasonal employees. The Look Back Method is required to process eligibility for **Variable Hour employees** [see above].

For a full explanation of both these methods, go to **ACA CENTRAL** on **BENEFITSCAPE.com** by clicking here [link: [benefitscape.com/aca-central/eligibility-management-full-time-employee-status/](https://benefitscape.com/aca-central/eligibility-management-full-time-employee-status/)]. **BENEFITSCAPE** ACA Services include both methods depending on which fits the employer's needs best, and our intelligent ACA\_RegTech runs diagnostics & data visualization to support accurate and efficient eligibility management for variable workforces and complex hours tracking.

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## IRS Affordability Threshold for TY26 is 9.6%

As stated above, the employer's Offer of Coverage to eligible employees must be Affordable. The offer is deemed Affordable if the employee's required contribution for self-only coverage in the employer's lowest cost plan does not exceed a specified percentage of the employee's household income (even if the employee is enrolled in family coverage).

This Affordability percentage of 9.6% for TY26 is from 9.02% for TY25.

» **NOTE: SAFE HARBORS.** Because employers do not know their employees' household incomes, the IRS permits employers to determine Affordability using certain Safe Harbor Methods as a proxy for household income.

ALEs are not required to use the same Safe Harbor Method for all Full-Time Employees. Different methods may be used for different business classifications as specified in the ACA regulations. But within each classification these Safe Harbor methods must be applied consistently; ALEs can't apply different methods on an employee-by-employee basis.

### » **TIPS: Choosing a Safe Harbor Method**

- **W-2:** This Safe Harbor method generally maximizes the employee's contribution. It works well for a workforce with earnings that can be predicted with some certainty, and whose contributions can be structured as a percentage of weekly earnings. On the downside, this method can only be calculated after the close of the calendar year and is based on the employee's income reported in W-2 BOX 1.

- **RATE OF PAY:** This method calculates affordability on a monthly basis, using the employee's hourly rate of pay on the first day of the plan year. This method works well for employers with a significant number of hourly employees. On the downside, it cannot be used for commission employees and the calculation is limited to 130 hours of service/month.
- **FEDERAL POVERTY LEVEL (FPL):** This is the simplest method but usually requires the highest employer contribution of the three Safe Harbors. The Federal Poverty Level (FPL) income guidelines for 2026 vary by household size, with the 100% FPL baseline set at \$15,960 for individuals and \$33,000 for a family of four in the contiguous U.S.

For more information on Safe Harbors, including FPL data and methodology, visit **ACA CENTRAL** [here](https://benefitscape.com/aca-central/affordability-safe-harbors/) [link: [benefitscape.com/aca-central/affordability-safe-harbors/](https://benefitscape.com/aca-central/affordability-safe-harbors/)].

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» **TIP: MEDICAL OPT-OUT AND WELLNESS PROGRAM INCENTIVES.** These measures can impact Affordability calculations and need to be properly structured to manage this impact.

» **NOTE: AFFORDABLE COVERAGE & IRS PENALTIES.** The potential penalty ALEs face for unaffordable coverage is the penalty for non-compliance of IR CODE 4980H[b] also known as 'PENALTY B'. See **ACA CENTRAL** [link: [benefitscape.com/aca-central/irs-226j-penalty-letters/](https://benefitscape.com/aca-central/irs-226j-penalty-letters/)].

» **NOTE: PENALTY B RISK EXPOSURE.** This penalty is not automatic and triggered only when an employee who has waived the [unaffordable] coverage on offer then enrolls in a Health Insurance Marketplace [also called Exchanges] to purchase coverage and benefit from a federal premium tax credit lowering monthly payments. Employees enrolled in unaffordable coverage [FORM 1095-C Line 16, Code 2C] do not automatically trigger PENALTY B, since they are not enrolled in a Health Insurance Marketplace with federal premium tax credit assistance.

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## Expertise + RegTech = Risk Management

No HCM, even with an advanced ACA module, does all the ACA work for you. Of course not. Technology is a tool, even in the age of AI. In fact, even the magic worked on your HCM data by BENEFITSCAPE's advanced and intelligent ACA\_RegTech is not a blind plug and play. Technology must never be allowed to add new risk, and nothing totally replaces human expertise when it comes to matters of governance, risk, and compliance. Well, not yet at least!

You must be confident your ACA vendor has the proven ACA understanding to take on board all current IRS regulations & requirements as well as the demands of your company's specific business rules, health plan provisions, and unique employee population.

» **NOTE: ACA & AI.** ACA Compliance has a lot of precise rules, which are regularly updated by the IRS. But it is not an exact science, no two employers have exactly the same needs or circumstances, and ACA reporting is the most granular employee data your HCM will ever have to process. All of which means ACA filings require expert compliance oversight, however intelligent the technology; and that the technology itself, such as **BENEFITSCAPE** ACA\_RegTech, must be developed with deep ACA understanding and on-going, rigorous training.

» **FINAL TIP:** Do not green light IRS filing unless you are 100% confident any gaps or other potential data issues have been addressed. It is much more time-consuming and costly to put things right later. That's why **BENEFITSCAPE** ACA\_RegTech runs smart diagnostics throughout the ACA process and a full IRS Filing Simulation prior to all final submissions.



Whatever your ACA needs, from rapid troubleshooting to IRS coding and final e-filing, or any step in-between, **BENEFITSCAPE** managed services and advanced ACA\_Regtech have you covered.

Call +1 508-655-3307, email [info@benefitscape.com](mailto:info@benefitscape.com), or visit [benefitscape.com](https://benefitscape.com)