The Affordable Care Act – Complexities of the IRS Electronic Filing Process

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Electronic Filing System

Electronic filing of Forms 1094 and 1095-C is made using the Affordable Care Ace Information Returns (AIR) system. The IRS has issued two guides to explain filing under the AIR system: (i) Publication 5164, Test Package for Electronic Filers of Affordable Care Act Information Returns, and (ii) Publication 5165, Guide for Electronically Filing Affordable Care Act Information Returns for Software Developers and Transmitters.

Filing under the AIR system is similar to filing under the IRS Filing Information Returns Electronically (FIRE) system (used to file Forms 1097, 1098, 1099 and others) and requires that employers apply for a Transmitter Control Code (TCC) using the "ACA Application for TCC."

When filing for a TCC, the application requires identifying a "Responsible Official" and "Contacts." A "Responsible Official" is an individual with responsibility for and authority over the electronic filing of ACA information returns on behalf of the organization, and involves collecting personal and taxpayer data for authenticating the identity of the Responsible Official. At least two Responsible Officials are required and will sign the application. A "Contact" is any individual who may be responsible for transmitting and/or is available for inquiries from the IRS on a daily basis, and a minimum of two Contacts is required.

Without getting too technical, filing electronically requires submissions via a single, uncompressed, self-contained XML file. In order to use the system, testing must be completed under the ACA Assurance Testing System. The testing requires employers to complete an error free submission to ensure the ability to communicate with the AIR system.

As you can tell, filing electronically is not a straight forward process – registration and testing are required and the IRS is requiring approved software to be used to prepare and transmit returns. The filing process can be time consuming; even vendors who are electronically filing for clients are still having issues with their filing systems and many vendors are no longer accepting new clients because they cannot handle the load. This is a sign for employers who plan to electronically file themselves – get the registration and testing process started now as it may take longer than you think. If you have familiarity with the IRS FIRE system, this may help navigating the new AIR system, but don't delay getting the process started because penalties can be up to $250 per late return.

If you need assistance with any ACA reporting issues, please call Carl Lammers at 502.779.8468 or any other attorney on Frost Brown Todd's Employee Benefits Law service team.