

**Cheat Sheet**

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Description automatically generatedIf you offer an Individual Coverage HRA (ICHRA), ACA reporting rules work a little differently. Employers must show that ICHRA offers were affordable, and specific codes/fields on Form 1095-C are used to prove compliance. Missing these details can trigger IRS penalties.

**ICHRA Employer ACA Reporting Cheat Sheet**

Quick Guide — What You Need to Know

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**Key Reporting Rules**

Form 1095-C — Parts to Complete

* **Basic info:** Employer and employee details (name, EIN, address, etc.).
* **Offer of coverage:** Use the special ICHRA codes (1L–1U) to show who was offered coverage and how affordability was tested.
* **Employee cost (Line 15):** Report the cost of self-only coverage under the lowest-cost silver Marketplace plan in the employee’s area, minus the ICHRA amount you provided.
* **ZIP code (Line 17):** Enter the employee’s home or worksite ZIP code (whichever you used for the affordability test).
* **Covered individuals:** If your ICHRA is self-funded, you must also list the employees and dependents who were covered.

**Affordability for ICHRAs**

Coverage is “affordable” if the employee’s share does not exceed 8.39% of income (2024) using one of these approaches:

1. FPL Safe Harbor: Compare against the federal poverty line.
2. Rate of Pay Safe Harbor: Compare against hourly rate × 130 (or monthly salary).
3. W-2 Wages Safe Harbor: Compare against Box 1 wages.

*Tip: Use age and location-based Marketplace data for the lowest-cost silver plan. Employers can choose:*

* Residence ZIP or
* Worksite ZIP (primary site of employment).

**Coding Basics (Line 14)**

* **Codes 1L–1U** → These are the special ICHRA codes.
* The code tells the IRS who you offered the ICHRA to (employee only, employee + spouse, employee + dependents, or family) and whether you based affordability on the employee’s home ZIP or worksite ZIP.
* **Code 1R** → Use if the ICHRA you offered was not affordable (as defined above).
* **Code 1S** → Use if the ICHRA was offered to someone who is not a full-time employee (for example, part-timers or non-employees like a retiree).

**Common Mistakes to Avoid**

* Forgetting to complete Line 17 ZIP code for ICHRAs.
* Reporting the ICHRA allowance only, instead of the correct “silver plan minus allowance” amount.
* Using the wrong ICHRA code (1L–1U) on Line 14.

**Penalties**

Incorrect reporting can trigger penalties of $330 per form (2024).

If the IRS believes coverage wasn’t affordable, you could face §4980H(b) penalti

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