

Glossary of Terminology

Form 1095C

Individual Statement furnished by the ALE to both the IRS and Employee

Form 1094C

Company Statement furnished by the ALE to the IRS

Administrative Period:

It is a period after the end of a measurement period—and before the beginning of the stability period associated with the measurement period—during which the employer can perform administrative tasks, such as calculating the hours for the measurement period, determining eligibility for coverage, providing enrollment materials to eligible employees, and conducting open enrollment.

Affordable Coverage:

It is the employee's required contribution for self-only coverage that does not exceed 9.5 percent (as adjusted – see note on page 6) of the employee's income from the employer.

Aggregated ALE Group:

It is the controlled group of ALEs under federal law. Companies could be in a controlled or affiliated service group if they have common owners, provide services for each other or work together to provide services to third parties.

Aggregated Group Member:

It is a member of the controlled group of employers.

Applicable Large Employer (ALE):

For a calendar year, it is an employer who employed (along with members of its controlled group) an average of at least 50 “full-time employees” (including full-time equivalent employees) on business days during the preceding calendar year.

Authoritative Transmittal:

It is the Form 1094-C that contains all aggregated ALE Group information. This means that Lines 20-22 of Part II, Part III and Part IV are completed.

Employee:

It includes anyone who is a common law employee. It does not include a sole proprietor, a partner in a partnership, an S corporation shareholder who owns at least 2-percent of the S corporation, a leased employee within the meaning of section 414(n) of the Code, or a worker that is a qualified real estate agent or direct seller.

Federal Poverty Line:

It is the annual dollar amount in the federal poverty guideline chart for a single-member household in any of the 48 contiguous states: [\\$15,960 for 2026](#).

Form W-2 Safe Harbor:

It is the method that allows the ALE to use each employee's W-2 income (Box 1) from the current year to determine affordability.

Full-time Employee:

It is an employee who, for any month, works at least 30 hours per week - 130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week.

Full-time Equivalent Employee:

A combination of employees, each of whom individually is not treated as a full-time employee because he or she is not employed on average at least 30 hours of service per week with an employer, but who, in combination, are counted as the equivalent of a full-time employee solely for purposes of determining whether the employer is an ALE. For rules on how to determine full-time equivalent employees, see Regulations section 54.4980H-2(c).

Fully insured:

It means benefits are provided under an insurance policy or contract.

Initial Measurement Period:

It is a measurement period of new employees. It begins on the new employee's hire date or the beginning of the month after the employee's hire date.

Limited Non-Assessment Period:

It is generally refers to a period during which an ALE member will not be subject to an employer shared responsibility penalty under Code Section 4980H for a full-time employee, even if the employee is not offered health coverage during that period. An employer will not be subject to a penalty under Code § 4980H(a), and in certain cases Code § 4980H(b), with respect to an employee in the following circumstances:

- the transition rule for an employer's first year as an applicable large employer;
- the application of Code § 4980H for the three full calendar month period beginning with the first full calendar month in which an employee is first

- otherwise eligible for an offer of coverage under the monthly measurement method;
- the application of Code § 4980H during the initial three full calendar months of employment for an employee reasonably expected to be a full-time employee at the start date, under the look-back measurement method;
- the application of Code § 4980H during the initial measurement period to a new variable-hour employee, seasonal employee, or part-time employee determined to be employed on average at least 30 hours of service per week, under the look-back measurement method;
- the application of Code § 4980H following an employee's change in employment status to a full-time employee during the initial measurement period, under the look-back measurement method; and
- the application of Code § 4980H to the calendar month in which an employee's start date occurs on a day other than the first day of the calendar month.

Lowest Cost Employee Required Contribution

The Employee Required Contribution is the employee's share of the monthly cost for the lowest-cost self-only minimum essential coverage providing minimum value that is offered to the employee by the ALE Member. The employee share is the portion of the monthly cost that would be paid by the employee for self-only coverage.

Measurement Period:

It is the period of time the ALE uses to determine if a variable hour employee is full-time. It can be a three to twelve month period. There is one measurement period for new employees and another measurement period for ongoing employees.

Minimum Essential Coverage (MEC):

Although various types of health coverage may qualify as minimum essential coverage, for Form 1095-C purposes, minimum essential coverage refers to health coverage under an eligible employer-sponsored plan. For more details on minimum essential coverage, see *Minimum essential coverage* in [Pub. 974](#).

Minimum Value Coverage (MV):

It is the minimum essential coverage plan's share of total allowed cost of benefit that is at least 60 percent of such costs.

98% Offer Method:

If an ALE provides MEC with MV to at least 98% of the ALE's full-time employees, the ALE does not have to complete Column (b) of Part III of Form 1094-C.

Offer of Coverage Indicator Codes:

- 1A.** Qualifying Offer: Minimum essential coverage providing minimum value offered to full-time employee with Employee Required Contribution equal to or less than 9.5% (as

adjusted) of mainland single federal poverty line and at least minimum essential coverage offered to spouse and dependent(s).

This code may be used to report for specific months for which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the calendar year. However, an ALE Member may not use the Alternative Furnishing Method for an employee who did not receive a Qualifying Offer for all 12 calendar months.

- **1B.** Minimum essential coverage providing minimum value offered to employee only.
- **1C.** Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) (not spouse).
- **1D.** Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to spouse (not dependent(s)). Do not use code 1D if the coverage for the spouse was offered conditionally. Instead use code 1J.
- **1E.** Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage offered to dependent(s) and spouse. Do not use code 1E if the coverage for the spouse was offered conditionally. Instead use code 1K.
- **1F.** Minimum essential coverage NOT providing minimum value offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents.
- **1G.** Offer of coverage for at least one month of the calendar year to an individual who was not an employee for any month of the calendar year or to an employee who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) and who enrolled in self-insured coverage for one or more months of the calendar year.
Note. Code 1G applies for the entire year or not at all. Therefore, if code 1G applies, an ALE Member must enter code 1G on line 14 in the “All 12 Months” column or in each separate monthly box (for all 12 months).
- **1H.** No offer of coverage (employee not offered any health coverage or employee offered coverage that is not minimum essential coverage, which may include one or more months in which the individual was not an employee).
- **1I.** Reserved.
- **1J.** Minimum essential coverage providing minimum value offered to employee and at least minimum essential coverage conditionally offered to spouse; minimum essential coverage not offered to dependent(s). (See *Conditional offer of spousal coverage*, above, for an additional description of conditional offers.)
- **1K.** Minimum essential coverage providing minimum value offered to employee; at least minimum essential coverage offered to dependents; and at least minimum essential coverage conditionally offered to spouse. (See *Conditional offer of spousal coverage*, above, for an additional description of conditional offers.)

Ongoing Employee:

It is an employee who has been employed for at least one complete standard measurement period.

Part-Time Employee:

It means an employee who is neither a full-time employee nor a variable hour employee.

Rate of Pay Safe Harbor:

To determine monthly affordability, an employer would (1) take the hourly rate of pay for each hourly employee who is eligible to participate in the health plan, (2) multiply that rate by 130 hours per month.

Responsible Individual:

For purposes of Form 1095-B, it may be the primary insured employee, former employee, parent, uniformed services sponsor or other person enrolling individuals in coverage.

Seasonal Employee:

It means an employee who is hired into a position for which the customary annual employment is six months or less.

Safe Harbor Indicator Codes:

- **2A.** Employee not employed during the month. Enter code 2A if the employee was not employed on any day of the calendar month. Do not use code 2A for a month if the individual was an employee of the ALE Member on any day of the calendar month. Do not use code 2A for the month during which an employee terminates employment with the ALE Member.
- **2B.** Employee not a full-time employee. Enter code 2B if the employee is not a full-time employee for the month and did not enroll in minimum essential coverage, if offered for the month. Enter code 2B also if the employee is a full-time employee for the month and whose offer of coverage (or coverage if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month (so that the offer of coverage or coverage would have continued if the employee had not terminated employment during the month).
- **2C.** Employee enrolled in health coverage offered. Enter code 2C for any month in which the employee enrolled for each day of the month in health coverage offered by the ALE Member, regardless of whether any other code in Code Series 2 might also apply (for example, the code for a section 4980H affordability safe harbor) except as provided below. Do not enter code 2C in line 16 for any month in which the multiemployer interim rule relief applies (enter code 2E). Do not enter code 2C in line 16 if code 1G is entered in line 14. Do not enter code 2C in line 16 for any month in which a terminated employee is enrolled in COBRA continuation coverage or other post-

employment coverage (enter code 2A). Do not enter code 2C in line 16 for any month in which the employee enrolled in coverage that was not minimum essential coverage.

- **2D.** Employee in a section 4980H(b) Limited Non-Assessment Period. Enter code 2D for any month during which an employee is in a section 4980H(b) Limited Non-Assessment Period. If an employee is in an initial measurement period, enter code 2D (employee in a section 4980H(b) Limited Non-Assessment Period) for the month, and not code 2B (employee not a full-time employee). For an employee in a section 4980H(b) Limited Non-Assessment Period for whom the ALE Member is also eligible for the multiemployer interim rule relief for the month, enter code 2E (multiemployer interim rule relief) and not code 2D (employee in a section 4980H(b) Limited Non-Assessment Period).
- **2E.** Multiemployer interim rule relief. Enter code 2E for any month for which the multiemployer arrangement interim guidance applies for that employee, regardless of whether any other code in Code Series 2 (including code 2C) might also apply. This relief is described under *Offer of Health Coverage* in the *Definitions* section of these instructions.

Note. Although ALE Members may use the section 4980H affordability safe harbors to determine affordability for purposes of the multiemployer arrangement interim guidance, an ALE Member eligible for the relief provided in the multiemployer arrangement interim guidance for a month for an employee should enter code 2E (multiemployer interim rule relief), and not codes 2F, 2G, or 2H (codes for section 4980H affordability safe harbors).
- **2F.** Section 4980H affordability Form W-2 safe harbor. Enter code 2F if the ALE Member used the section 4980H Form W-2 safe harbor to determine affordability for purposes of section 4980H(b) for this employee for the year. If an ALE Member uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.
- **2G.** Section 4980H affordability federal poverty line safe harbor. Enter code 2G if the ALE Member used the section 4980H federal poverty line safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).
- **2H.** Section 4980H affordability rate of pay safe harbor. Enter code 2H if the ALE Member used the section 4980H rate of pay safe harbor to determine affordability for purposes of section 4980H(b) for this employee for any month(s).

Note. An affordability safe harbor code should not be entered on line 16 for any month that the ALE member did not offer minimum essential coverage to at least 95% of its full-time employees and their dependents (that is, any month for which the ALE member checked the “No” box on Form 1094-C, Part III, column (a)). For more information, see the instructions for Form 1094-C, Part III, column (a).
- **2I.** Reserved.
- **Note.** References to 9.5% in the section 4980H affordability safe harbors and Qualifying Offer Method are applied based on the percentage as indexed for purposes of applying the affordability thresholds under section 36B (the premium tax credit). The percentage, as adjusted, is 9.56% for plan years beginning in 2015, and 9.66% for plan years

beginning in 2016, and 9.69% for plan years beginning 2017, and 9.56% for plan years beginning 2018, and 9.86% for plan years beginning 2019, and 9.78% for plan years beginning 2020, and 9.83% for plan years beginning 2021, and 9.61% for plan years beginning 2022, and 9.12% for plan years beginning 2023.

Self-Insured or Self-Funded:

Under Code §105(h)(6), a self-insured or self-funded health plan is “a plan of an employer to reimburse employees for expenses referred to in Code §105(b), which cross-references expenses for medical care under Code §213(d)] for which reimbursement is not provided under a policy of accident and health insurance.” Thus, a self-insured health plan is a type of accident or health plan that provides reimbursement for Code §213(d) medical expenses and that is not insured.

Stability Period:

It is the coverage period that follows, and is associated with, a particular measurement period

Standard Measurement Period:

It is a measurement period for ongoing employees.

Qualifying Offer:

It is an offer of minimum value coverage that provides employee-only coverage at a cost to the employee of no more than approximately \$1,161 in 2018 (9.56 percent of the Federal Poverty Level), combined with an offer of coverage for the employee's family.

Qualifying Offer Method:

For employees who receive qualifying offers for all 12 months of the year, ALEs will need to report only the names, addresses, and tax ID numbers of those employees and the fact that they received a full-year qualifying offer. The employer is not required to report monthly, employee-specific information on these employees.

Variable Hour Employee:

An employee if, based on the facts and circumstances at the employee's start date, the ALE Member cannot determine whether the employee is reasonably expected to be employed on average at least 30 hours of service per week during the initial measurement period because the employee's hours are variable or otherwise uncertain.

Legal Disclaimer

The information contained herein is intended to be used as general guidance only. This does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind. The information provided herein should not be used as a substitute for consultation with professional tax experts, finance/accounting staff, and/or legal counsel.