



Affordable Care Act: Information Reporting

- Insurers and employers must file new information reports with the IRS for 2015 and future years
- Reporting is required on new Form 1095 (B or C) and Form 1094 (B or C)
- Reports individuals and family members enrolled in health coverage during the year
- Reports whether large employers offer health coverage to employees
- Enables IRS to enforce the individual and employer mandated penalties

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Comparison of Form 1095-B and 1095-C

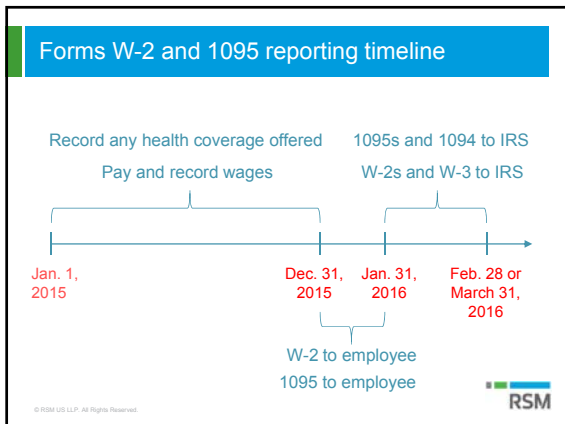
	Form 1095-B	Form 1095-C
Purpose	Individual mandate penalty	Individual & employer mandate penalty
Primary filer	Insurance companies	Large employers
Information reported	Monthly health coverage (enrollment only)	Monthly health coverage (offer & enrollment)
Individual and IRS	Both receive copy	Both receive copy
Transmittal form	Form 1094-B	Form 1094-C

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Comparison of Form W-2 and Form 1095-C

	Form W-2	Form 1095-C
Purpose	Individual income tax compliance	Individual & employer mandate penalty compliance
Employers	All employers	Large employers
Information reported	Annual wages and benefits	Monthly health coverage (offer and enrollment)
Employee and IRS	Both receive copy	Both receive copy
IRS transmittal form	Form W-3	Form 1094-C
Employer penalties	\$500 per return	\$500 per return

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- ### Automatic extensions for 2015
- Form 1095 to employees
 - Extended from Jan. 31, 2016 to March 31, 2016
 - Form 1095 to IRS (filed on paper)
 - Extended from Feb. 29, 2016 to May 31, 2016
 - Form 1095 to IRS (filed electronically)
 - Extended from March 31, 2016 to June 30, 2016
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- ### Who files Form 1095-B?
- Insurers will file for insured health coverage
 - Individual policies
 - Employer-sponsored health plans
 - Employers will file if
 - Small employer (< 50 full-time employees/full-time equivalents) with a self-insured health plan
 - Reports employees, spouses, and dependents enrolled in health coverage
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Who files Form 1095-C?

- Large employers averaging ≥ 50 full-time employees/equivalents in prior calendar year
 - Full-time employees work ≥ 30 hours per week
 - Full-time equivalents work < 30 hours per week
- Example
 - Company A had 45 full-time employees in 2014 plus 22 part-time employees (equaling 10 full-time equivalents) for a total of 55 full-time employees; filing is required.
- Filing required whether employer has a health plan (self-insured or fully-insured) or not

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Who files Form 1095-C?

- Small employers averaging < 50 full-time employees/equivalents in prior calendar year if in an “aggregated” group with other companies with ≥ 50 total full-time employees/equivalents
 - Aggregated groups are based on ownership or services
- Example
 - Al and Amy Smith own companies X and Y. X had 35 full-time employees in 2014 and Y had 25 for a total of 60; filing is required by both.

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Frequently asked questions


- **When is electronic filing required for form 1095-C?**
 - When you file 250 or more
- **My company is required to file electronically. I am the responsible party for electronically filing the information returns for my company. When I sign up to electronically file, it wants MY social security numbers, adjusted gross income, etc. Is there anyway around putting this information into the IRS system?**
 - No, this information is mandatory for electronic filing.
 - Confidential information is suppose to be hidden from other users once entered.
- **I heard that the ACA might be repealed, will this happen?**
 - Highly unlikely. Congress passed a bill to repeal major portions of the ACA on January 6th, however the president vetoed it on January 8th.

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Tax extenders package – Permanent provisions

- Research and development tax credit IRC §41
 - Additional provisions favoring small business
 - \$50m or less in gross receipts and you can use these credits against AMT
 - \$5m or less in gross receipts and you can use these credits against payroll liabilities
- Increased business expenses election IRC §179
 - \$500,000 deduction available
 - Phase out starts \$2,000,000 of additions
 - Without the extension this would have gone back to a \$25,000 available deduction with a \$200,000 fixed asset addition phase out
- 15-year life for qualified leasehold improvements IRC §168(e)(3)(E)
- Built in gains tax on S-corporation conversion is limited to 5 years (formerly 10 years) IRC §1374


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Tax extenders package – Temporary provisions

- 50-percent bonus depreciation IRC §168(k)
 - 5 year phase out
 - 50% for 2015, 2016 and 2017
 - 40% for 2018
 - 30% for 2019
- Work Opportunity Tax Credit IRC §51
 - Extended through 2019
 - Modified for hiring of long-term unemployed individuals (unemployed for longer than 27 months). 40% of the first \$6,000 of wages
 - Make Form 8850 as part of hiring process (need within 28 days of hiring)
- Solar investment credits IRC §48
 - 30% credit for qualified solar fully extended to 2019
 - 26% credit available in 2020
 - 22% credit available in 2021
- Wind investment credits IRC §45
 - Full credit for facilities constructed in 2015 and 2016 (based on Kilowatt production)
 - 80% for those constructed in 2017
 - 60% for those constructed in 2018
 - 40% for those constructed in 2019


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Tax extenders package – Other

- Extended to December 31, 2016
 - Production credit IRC §45 (per Kilowatt produced, other than wind)
 - IRC §179D Expensing (lighting, heating, cooling, ventilation, hot water systems on commercial buildings)
 - Alternative fuel vehicle refueling property IRC §30C (Electricity qualifies)

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Other Important Tax Items

- Tangible property regulations
 - IRS increased De Minimis safe harbor for non-audited taxpayers
 - Increased the threshold to \$2,500 from \$500
 - Those with audited financials remain at \$5,000
 - Must have capitalization policy in place
- Identity Theft Fraud
 - IRS taxpayer protection program delayed 1.5m returns with refund claims during the 2015 filing season (Jan – April) of which 1 in 3 were fraudulent.
 - This is a 104% increase from 2014

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Change in Filing Dates for tax years starting after December 31, 2015

Return Type	Current Due Dates	Revised Due Dates
Partnership	Original Due Date: April 15 Extended Due Date: September 15	Original Due Date: March 15 Extended Due Date: September 15
Trust and Estates	Original Due Date: April 15 Extended Due Date: September 15	Original Due Date: April 15 Extended Due Date: September 30
C Corporation	Original Due Date: March 15 Extended Due Date: September 15	Original Due Date: April 15 Extended Due Date: September 15*
Foreign Bank Account Reporting	Original Due Date: June 30 Extended Due Date: NONE	Original Due Date: April 15 Extended Due Date: October 15

*The extended deadline for C Corporations will move to October 15 for tax periods after December 31, 2025

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Federal Standard Mileage Rates


Type	2015 Rate	2016 Rate
Medical / Moving miles driven	\$0.23 per mile	\$0.19 per mile
Charitable miles driven	\$0.14 per mile	\$0.14 per mile
Business miles driven	\$0.575 per mile	\$0.54 per mile

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2015-16 Federal Lodging & Meal per Diems Rates

- Government rates
 - Standard; \$89 lodging; \$51 M&IE (\$140 combined)
 - Highest; \$354 lodging; \$74 M&IE (\$428 combined, Telluride, CO)
 - <http://www.gsa.gov/portal/content/103168#FY16PerDiemFiles>
- Simplified high/low rates
 - \$275 / \$185
 - <https://www.irs.gov/pub/irs-drop/n-15-63.pdf>
- Meals and Incidental Expenses
 - M&IE along is an ok policy
 - Truckers have different rates
- Per Diem Mobile App
 - <http://www.gsa.gov/portal/content/302273>
- CONUS has lodging rates broken out from M&IE
 - IRS only allows a full per-diem or M&IE.
 - No lodging only per diems are available.


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IRC §199 – Domestic Production Activities Deduction

- Up to 9% Deduction of qualified production actives income (QPAI) (6% for oil and gas)
- Proposed Regulation 136459-09
 - Clarification of what constitutes construction activities
 - Defining what substantial renovation is, revising the definition to comply with the new tangible property regulations
 - Clarification of how to allocate W2 wages in a short taxable year (acquisition or disposal of a business)
 - Unlikely substantial impact, but discussions should be had with your tax advisors
 - https://www.irs.gov/irb/2015-37_IRB/ar10.html


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REVENUE IN THE FUTURE


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Recognize recognition standard

Effective date and transition


- Public companies: Annual periods (and interims within) beginning after December 15, 2017 (2018 for calendar year companies)
 - Early adoption is prohibited
- Non-public companies: Annual periods beginning after December 15, 2018 (2019 for calendar year companies)
 - Early adoption is permitted, no earlier than public company date
- Transition
 - Retrospective application—restate prior periods upon adoption, or
 - Apply to existing contracts in progress on the effective date and new contracts going forward
 - Requires cumulative effect adjustment and certain additional transition disclosures

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ASU 2014-09

Steps


- 1 Identify the contract with a customer.
- 2 Identify the separate performance obligations in the contract.
- 3 Determine the transaction price.
- 4 Allocate the transaction price to the separate performance obligations.
- 5 Recognize revenue when (or as) each performance obligation is satisfied.

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Contract

Step 1: Identify contract with the customer


- Five criteria for existence of a contract
 - Commercial substance
 - Approval by both parties
 - Probable that you will collect consideration
 - Identifiable rights regarding assets to be transferred
 - Identifiable payment terms (even if amount is uncertain)

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Contract

Step 1: Identify contract with the customer

- Contract modifications (change orders):
 - Accounted for as a separate contract if:
 - The modification is for a distinct good or service that result in a separate performance obligation.
 - The contractor has the right to consideration that reflects the standalone selling price of the goods or service
 - Accounted for as a modification, not a separate contract, if:
 - Prospective adjustment: Good or service are distinct from existing contract.
 - Cumulative adjustment: Good or service are not distinct from existing contract.


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Performance Obligations

Step 2: Identify separate performance obligations in the contract

- A contract may be one performance obligation
- A good or service is not distinct, and may be combined, if:
 - The goods and services are highly interdependent and interrelated
 - The entity provides a significant integration service
 - The goods or services significantly modify or customize other goods and services in the contract

The expectation is many contracts will be one performance obligation.


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Transaction price

Step 3: Determining the transaction price

- Transaction price:
 - The amount of consideration to which an entity expects to be entitled to receive in exchange for satisfying the performance obligations.

Generally this will be the contract value plus priced change orders.


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Transaction price

Step 3: Determining the transaction price

- Variable consideration
 - Awards, incentives, liquidated damages, claims, unpriced change orders
 - Estimate the expected value (probability-weighted) approach or the most likely amount approach
 - ONLY, if it is probable that a significant reversal will not occur in the future.


The contractor should make an assessment based nature of variable consideration and on prior experience for similar performance obligations

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Transaction price

Variable consideration:


- Key concepts:
 - Must meet contract existence criteria:
 - Commercial substance
 - **Approval by both parties**
 - Projects are frequently in flux and contractors engage in change orders before agreement on scope and price.
 - Determination of incentives/penalties (particularly date based) may require look-back analysis.
 - Probable that you will collect consideration
 - Identifiable rights regarding assets to be transferred
 - Identifiable payment terms (even if amount is uncertain)

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Transaction price

Unapproved change orders and claims:

- If approved as to scope, even if un-priced, contractor may be able to recognize if it is probable that a significant reversal will not occur in the future.
 - Amount of contract change is based on the expected value (probability-weighted) approach or the most likely amount approach.
- Difference from current practice:
 - Qualitative focus on the determination of approved as to scope
 - Qualitative and quantitative analysis as to estimated value of un-priced change order or claim.


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Transaction price

Accounting for a change order?

- **Not distinct:** Cumulative catch-up adjustment (i.e., “catch up” the amount of revenue recognized as if this change order had been in place since contract inception), similar to current practice.
- **Distinct:** Prospective adjustment (i.e., adjustment to value and contract revenue is earned as though change order is a new contract.

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Satisfying performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

- Recognize revenue over time when control of the good or service is transferred to the customer.
 - Can happen at a point in time OR over time.

For construction contracts, it will be common for control to transfer over time, versus at a point in time.

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Satisfying performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

- Performance obligations are satisfied over time based on the following criteria is met:
 - The customer receives and consumes the benefits as the entity performs them.
 - The contractor’s performance creates or enhances a customer-controlled asset.
 - An asset with an alternative use to the customer is not created but the contractor has a right to payment for performance completed to date.

If at least one of the above criteria is not met, performance obligations are met at a point in time.


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Satisfying performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

- Measuring progress toward completion
 - Output methods or input methods permitted
 - Examples of input methods:
 - Costs, labor, time
 - Examples of output methods:
 - Units (**careful**)
 - If input method used (particularly costs), must exclude inputs that do not move performance forward (uninstalled materials, owner provided materials, waste)
 - Zero margin may be appropriate

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CONSOLIDATION


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Current Guidance

Two Models:

Voting interest model

- Generally based on ownership level, i.e. greater than 50%
- Exception if LLP/LLCs (Topic 810-20-25)
 - Presumed control held by the general partner or managing member.
 - Can be overcome with certain rights held by the limited partners:
 - Kick out rights – removal of GP/MM without cause
 - Substantive participating rights - allow these same members or partners to block or participate in significant financial and operating decisions.


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Current Guidance

Two Models:

Variable interest model

- The entity in question is deemed a variable interest entity if:
 - The investors do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support.
 - As a group, the holders of the equity at risk (generally members or partners) lack the power, through voting or other rights, to direct activities that most significantly impact a joint venture's economic performance.
 - As a group, the holders of the equity at risk (generally members or partners) lack the obligation to absorb a joint venture's expected losses, or have the right to receive a joint venture's expected residual returns.


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Joint Ventures

Configurations:

- Informal
- Contractual
- Entity

Consolidation rules under ASC 810 impact those joint ventures created with entities.


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New Guidance

ASU 2015-02:

Consolidation (Topic 810)—Amendments to the Consolidation Analysis


- Effective 2017 financial statements.
- Early adoption is permitted.

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Differences

ASU 2015-02:


- Presumption of control by the GP/MM is eliminated.
- LLP/LLC is presumed to be a VIE unless:
 - A simple majority (or a lower threshold) of the non-managing members or limited partners that are unrelated to the general partner have *either* substantive kick-out rights or substantive participating rights over the managing member or general partner.

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Differences

ASU 2015-02:


- If concluded to be a VIE, the entity that consolidates would have:
 - An obligation to absorb variability, expected losses and residual returns, in the joint venture (a variable interest)
 - The power to direct the activities that are significant to the economic performance of the joint venture.

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Differences

ASU 2015-02:


- This assessment is not static, but will change over the life of the project:
 - Origination and design
 - Early design outlines, operating agreements, loan negotiations, revenue and expense projections, and commitments for any cost overruns
 - Construction
 - Control of final property and development design decisions, approval or veto rights on the construction budget (including change orders, budget sources and uses), and supervisory authority over construction and development (including decisions on hiring or removal of the construction manager).

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Differences

ASU 2015-02:

- This assessment is not static, but will change over the life of the project:
 - Lease-up and stabilization
 - Ownership of marketing and sales roles, such as pricing units, approving tenants, and handling lease agreements
 - Operations and sales
 - Annual budget and operating plan, who may initiate and approve a sale of the property, and who controls day-to-day management of the joint venture

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QUESTIONS AND ANSWERS?

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