



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: IMPLEMENTATION OF KEY INFORMATION REPORTING PROVISIONS

Issued on March 29, 2013

Highlights

Highlights of Report Number: 2013-43-033 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the Affordable Care Act) were signed into law in March 2010. Revenue provisions contained in the legislation are designed to generate \$438 billion to help pay for the overall cost of health care reform. More than 40 of these provisions added to or amended the Internal Revenue Code and represent the largest set of tax law changes the IRS has had to implement in more than 20 years.

WHY TIGTA DID THE AUDIT

This audit is part of TIGTA's strategy to monitor the IRS's implementation of the Affordable Care Act. The overall objective of this review was to determine whether the IRS is effectively implementing select Affordable Care Act reporting requirements.

WHAT TIGTA FOUND

The IRS continues to make progress in implementing the information reporting requirements relating to Provisions 1502, 1514, 9002, and 9010 of the Affordable Care Act. However, the implementation plan for Provision 9002 that requires the inclusion of employer health coverage on Form W-2, *Wage and Tax Statement*, does not address how the IRS will use the information and how the IRS will ensure employer compliance with this information reporting provision.

Many of the tax provisions included in the Affordable Care Act are interrelated. As such, planning efforts should identify the relationships among the various tax and information reporting provisions. The IRS must ensure that all the information needed to accurately and effectively administer these provisions is provided by employers, insurers, and taxpayers. By doing so, the IRS can significantly improve its ability to manage the burden placed on employers, insurers, and taxpayers who must comply with the various Affordable Care Act

requirements as well as improve its ability to accurately administer Affordable Care Act fees, penalties, and tax credits.

Therefore, the IRS should consider collecting additional third-party information that could expand its ability to ensure taxpayer compliance with the Affordable Care Act provisions and requirements. Creating separate implementation plans and assigning responsibility to different IRS offices may result in the IRS not evaluating these provisions collectively to ensure that it is requesting all the information needed to effectively verify employer, insurance provider, and individual compliance with the Affordable Care Act.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS update the implementation plan for Provision 9002 to identify the actions needed to verify that employers are accurately reporting the total dollar value of health insurance coverage provided to an employee. The IRS should also ensure that all information necessary to maximize the IRS's ability to verify compliance with other tax-related provisions within the Affordable Care Act is requested from third parties and processes are developed to use the information effectively.

The IRS agreed with our recommendations. In their response to the report, IRS officials stated that the IRS has updated the Compliance Plan for Provision 9002 to include steps for verifying reporting compliance. The IRS also indicated that executive oversight by the Director, Affordable Care Act Office, and the Director, Implementation Oversight and Non-Exchange Provisions, ensures that the overall planning for all Affordable Care Act provisions, including the ones affecting information reporting, is coordinated.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response go to:

<http://www.treas.gov/tigta/auditreports/2013reports/201343033fr.pdf>.

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