



PHONE 800-258-

Email info@associatedfinancialgroup.comwww.associatedfinancialgroup.com

Associated Financial Group

Employee Benefits. Insurance. HR Solutions.

Name and SSN mismatches on the 1095C: Now what?

Tuesday, March 29, 2016 - David Flotten, JD, SPHR

As the deadlines approach, employers are finishing up the preparation of their 1095Cs and filing the 1094C and 1095Cs with the IRS. You get your forms completed, hit send to file with the IRS, and breathe a sigh of relief - you are done! But wait, what's this — “Accepted with Errors”? An employee's name and social security number (SSN) don't match? What?!



Background

All Applicable Large Employers (ALEs) must issue a 1095C to all employees who were ACA full-time or enrolled in self-funded coverage at least one month during the year. Employers with more than 250 1095Cs are required to file electronically. Other employers may file electronically, and many ACA reporting vendors are automatically filing electronically on behalf of their clients.

The IRS built a new system called ACA Information Returns (AIR) to accept filing of the 1094Cs and 1095Cs. This system is different from the system used to electronically file W-2s. One of the features the IRS built into the AIR system is that it verifies whether the name and SSN on the 1095C actually match Social Security Administration (SSA) records. If they don't match, the system is returning an error message.

There may be all sorts of reasons the name and SSN you entered on the 1095C don't match — typos and misspellings; employees got married or divorced and never bothered changing their names with SSA; or, worst case scenario, an employee has engaged in identity theft. Whatever the reason, the question remains — what do you do now that you have received this error message?

Before you decide what needs to be done, the first step is to figure out why you are getting the error. Don't make assumptions. Check your records — what did the employee list on the W-4; do you have a copy of the employee's social security card used to complete the I-9? Talk to your employee — is there an explanation why the IRS is saying the name and SSN don't match. If not, ask to see a copy of the employee's social security card to make sure the name and number on the card match your records.

To fix or not to fix

According to the IRS, all errors need to be corrected and the forms refiled. In fact, the 1094C/1095C [instructions](#) specifically reference SSN errors as the type of error that needs to be corrected. Seems easy enough, right? But stop and think for a second what else may be impacted by this error. Just a few months ago, you presumably issued the same employee a W-2 using a name or SSN you now know is incorrect — if you fix the 2015 1095C, should you also go back and fix the 2015 W-2? What if you have filed W-2s using this incorrect name and SSN for several years? What if the employee admits to you they were using a false name and SSN?

Prospective corrections

Generally speaking, in the absence of fraud or identity theft, you should correct your payroll records going forward. Correct any typos or misspellings. If employees have not changed their names with the SSA, inform them that their paychecks

going forward will be issued in the name that appears in their current SSA records until they provide proof that they have updated those records. Issue solved, right? Wrong.

Retroactive corrections

The more difficult question is what should be done about past records that you now know are in the wrong name and/or SSN. There is an understandable desire to simply fix the problem in your payroll system going forward, and ignore the past errors, including the 1095C that initially generated the error. The risk associated with that approach will likely depend on the reason for the error (typo vs. identity theft), the number of other forms and official documents that are impacted by this discrepancy and for how long, and the employer's risk tolerance. You may want to discuss these issues with legal counsel. While each employer will have to decide the appropriate course of action for itself, there is a high probability that many employers will simply change their payroll systems going forward and take their chances with any past errors.

Separately, however, if an employee is uncertain as to why a mismatch is being reported by the IRS, you may want to advise the employee to look into the issue because it is possible that the employee is not being credited for years worked so long as there is a name/SSN mismatch.

Fraud or identity theft

What do you do if the employee acknowledges that the name and number initially provided to you was false? Termination is potentially an option as long as you are consistent. This admission may also raise immigration and I-9 issues that must be handled carefully. These situations are much more sensitive and we encourage you to contact the HR Hotline if you are a client, or your legal counsel, to discuss these situations.

Other errors

Although a name/SSN mismatch error probably raises the most practical problems, there are certainly other circumstances that may produce an error when filing with the IRS. Those issues should be evaluated on a case by case basis as well.

While the 1094C/1095C [instructions](#) and [Pub. 5165](#) discuss the mechanics for correcting 1095C errors, there are no clear instructions as to how an employer should handle all of the unanticipated effects of 1095C reporting.

Clients who need more information about how to respond to AIR system errors should [contact us](#).