

City of Minneapolis
Request for Committee Action

To: Ways & Means
Date: 12/7/2015
Referral: NA
From: Human Resources
Prepared by: Joyce Traver
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File type: Action
Subcategory: Contracts & Agreements

Subject:

Contract Amendment with Eide Bailly, LLP for filing of IRS returns required by the Affordable Care Act (ACA)

Description:

Authorizing a contract amendment to Contract No. C-37383 with Eide Bailly LLP to:

1. extend the scope of service to include preparation, mailing and filing with the IRS of new information returns required under the Affordable Care Act (the ACA), and;
2. increase the contract in the amount of \$160,000 for a new contract total of \$310,00, and;
3. extend the contract term to August 31, 2017 with an option to extend for one additional year.

Previous Actions:

June 28, 2013 council action to authorize execution of a contract with Eide Bailly LLP to provide COBRA and state continuation administration and billing services.

Background/Analysis:

The new information returns include Form 1095 which must be issued to each individual who was a full-time employee (as defined by the ACA) for one or more months of the calendar year. The new Form 1094 serves as a transmittal for the Forms 1095 and demonstrates compliance with the ACA requirement to offer health care that provides minimum value and is affordable. Forms 1095 must be completed and mailed to current and former employees no later than Feb. 1, 2016 and, along with Form 1094, must be filed electronically with the IRS no later than March 31, 2016.

Employers will be penalized for failures to file the information return – \$50 to \$250 for each return for which a failure occurs up to \$3,000,000 per year.

The IRS is developing a new ACA Information Return (AIR) electronic filing process system for electronically filing the information returns. This AIR system is different from existing systems used to file other tax forms, such as the W-2 and W-3 forms, electronically. The system requires filers to register, use prescribed XML formats and transmit data using special protocols.

The IRS is still in beta testing with Oracle, the vendor for our COMET software, and we are not confident that the application will be ready in time for the City to comply with the ACA information return requirement because the COMET upgrade is not yet fully functional and the

AIR system is new and unknown territory that will require development of our software application. Development in our current software application also takes time to develop, test, configure and debug.

Vendors such as Eide Bailly are specializing in this area as another business opportunity and are providing these services to other organizations. The Eide Bailly system is already developed and the IRS has completed testing to its satisfaction. It is estimated that the cost to develop the required electronic filing process, register with the AIR system and complete the AIR testing Process would cost more than the fee proposed by Eide Bailly.

For required returns in future years, it is anticipated that when the COMET system is fully operational, it will be configured to produce the City's required returns. However as a contingency, the contract amendment with Eide Bailly would provide the City with the option to use the Eide Bailly AIR services for 2017 AIR filing at a cost not exceeding the 2016 AIR filing.

Financial Review:

No additional appropriation required, amount included in current budget.

Approved by the Permanent Review Committee.