



ACA Consulting, Insurance Services, & Administration

## Understanding the IRS Letter 226-J

Letter 226-J is the initial letter issued to Applicable Large Employers (ALEs) to notify them that they may be liable for an Employer Shared Responsibility Payment (ESRP). The determination of whether an ALE may be liable for an ESRP and the amount of the proposed ESRP in Letter 226-J are based on information from Forms 1094-C and 1095-C filed by the ALE and the individual income tax returns filed by the ALE's employees.

### What you need to do

Read your letter and attachments carefully. These documents explain the ESRP process and how the information received affects the computation.

- The letter fully explains the steps to take if you agree or disagree with the proposed ESRP computation.
- Complete the response form ([Form 14764](#)) indicating your agreement or disagreement with the letter.
- If you disagree with the proposed ESRP liability, you must provide a full explanation of your disagreement and/or indicate changes needed on [Form 14765](#) (PTC Listing). Return all documents as instructed in the letter by the response date.
- If you agree with the proposed ESRP liability, follow the instructions to sign the response form and return with full payment in the envelope provided.

### You may want to

- Review the information reported on Forms 1094-C and 1095-C for the applicable year to confirm that the information filed with the IRS was accurate because the IRS uses that information to compute the ESRP.
- Keep a copy of the letter and any documents you submit.
- Contact us using the information provided in the letter if you have any questions or need additional time to respond.
- Send us a Form 2848 (Power of Attorney and Declaration of Representative) to allow someone to contact us on your behalf. Note that the Form 2848 must state specifically the year and that it is for the Section 4980H Shared Responsibility Payment.

## Answers to Common Questions

### Why did I receive this letter?

The IRS used the information you provided on Forms 1094/5-C and determined that you are potentially liable for an ESRP.

### Where did the IRS get the information used to compute the ESRP?

The IRS used form 1094/5-C filed by the ALE and the individual income tax returns of your full-time employees to identify if they were allowed a premium tax credit.

### Is this letter a bill?

No, the letter is the initial proposal of the ESRP

### What do I need to do?

Review the letter and attachments carefully and complete the response form by the date provided.

### What do I do if the information is wrong or I disagree?

Follow the instructions in the letter to provide corrected information for consideration by the IRS. The IRS will reply with an [acknowledgement letter](#) informing you of their final determination.

### Do I have appeal rights?

Yes, the acknowledgement letter that you receive will spell out all your rights, including your right to appeal.

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