

STATE CONTROLLER'S OFFICE  
PERSONNEL AND PAYROLL SERVICES DIVISION  
P.O. BOX 942850  
SACRAMENTO, CA 94250-5878

DATE: March 24, 2026

PERSONNEL LETTER #26-007

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Lisa Dean, Chief  
Personnel and Payroll Services Division

**RE: AFFORDABLE CARE ACT – INFORMATION REPORTING PENALTIES APPEALS  
PROCESS OPEN APRIL 1 – APRIL 30, 2026**

### **AFFORDABLE CARE ACT REPORTING REQUIREMENTS**

Under the employer shared responsibility provisions of the Affordable Care Act (ACA), applicable large employers (ALEs) (those with 50 or more federally defined full-time or full-time equivalent employees) are required to offer minimum essential health coverage to at least 95 percent of their federally defined full-time employees to avoid a penalty assessment. Additionally, applicable large employers are required to report information about the health coverage they offered to their federally defined full-time employees to the Internal Revenue Service (IRS). The Internal Revenue Service information reporting requirements are designed to help the IRS determine an employer's compliance with the employer shared responsibility provisions.

If an ALE fails to comply with the ACA information reporting requirements, they may be subject to Information Reporting Penalties (IRPs) imposed under Internal Revenue Code (IRC) sections 6721 and 6722. Under IRC section 6721, a penalty may be imposed on employers for each failure to file a correct information return (1095-C) with the IRS. Additionally, under IRC section 6722, a penalty may be imposed on employers for each failure to provide a correct information return (1095-C) to employees.

### **2021 INFORMATION REPORTING PENALTY APPEAL PERIOD: APRIL 1 – APRIL 30, 2026**

After completing each 1095-C correction cycle, the State Controller's Office (SCO) will issue IRP Report PDSQ0173. The State Controller's Office has completed the correction cycle for 2021, and the IRP Report will be available on [ViewDirect and Mobius View](#). Human Resources (HR) offices are responsible for all penalties associated with each corrected 1095-C, unless otherwise agreed upon between SCO and the HR office via the appeals process. When reviewing the information included in the IRP Report, HR offices should research the employee records and determine if an appeal is warranted.

The IRP Report will display the following for each employee:

- Social Security Number
- First Name MI
- Last Name
- Position Number
- Position Sequence Number
- File Indicator:
  - (N) Newly issued 1095-C during the corrections process

- (C) Corrected 1095-C issued during the corrections process
- (V) Original 1095-C issued was determined to be voided during the corrections process; Employee no longer qualified for a 1095-C
- Total Potential Information Reporting Penalty amount (prior to Phased Approach relief and completion of IRP Appeal Process)

## **INFORMATION REPORTING PENALTY APPEAL PROCESS AND SUBMISSION**

The State Controller's Office will accept IRP appeals from HR offices from April 1 - April 30, 2026, for the 2021 1095-C reporting year. If HR offices disagree with the IRP SCO has assessed, they may appeal an employee record listed on the IRP report through the [IRP Appeal Process](#) using the [ACA IRP Appeal Form PSD-005](#).

When submitting an IRP appeal, HR office staff must complete all required fields on [Form PSD-005](#) and include documentation to support the appeal. Each IRP appeal is submitted with a separate PSD-005 and supporting documentation.

- Supporting Documentation
  - All appeals submitted to SCO will need supporting documentation. Without supporting documentation, the appeal will not be considered and will be denied.
  - Some examples of supporting documentation include, but are not limited to:
    - Affordable Care Act System (ACAS) or Employment History database (EH) screenshots
    - HBD-12 Forms
    - CalPERS account screenshots

Note: HR offices must redact all confidential information (e.g., SSN, Address) before submission.

Human Resources office staff will submit completed IRP appeals to SCO at [acappsdirp@sco.ca.gov](mailto:acappsdirp@sco.ca.gov). The State Controller's Office will provide the requestor with an identification number for their appeal and will notify the requestor once the appeal has been reviewed and approved or denied.

The [IRP Appeal Process](#) is not required, and HR offices may elect to accept all IRPs as assessed.

## **INFORMATION REPORTING PENALTY PHASED APPROACH**

The California Department of Human Resources (CalHR), California State University (CSU) Chancellor's Office, SCO, Judicial Council, and the Department of Finance agreed upon a phased approach for assessing penalties. This approach will reduce the IRP amounts assessed to HR offices and provide further relief to the costly penalties some HR offices may stand to receive.

Phasing in the penalties will result as follows:

- For 2021 IRPs, HR offices are responsible for 50% of the total penalties assessed, for each IRP assessed at \$560.00; HR offices will be responsible for \$280.00 per corrected 1095-C.
- For 2022 IRPs, HR offices are responsible for 75% of the total penalties assessed, for each IRP assessed at \$580.00; HR offices will be responsible for \$435.00 per corrected 1095-C.
- And for the 2023 IRPs, HR offices are responsible for 100% of the penalties assessed at \$620.00 per corrected 1095-C.

The Phased Approach gives HR offices time to increase compliance and reduce future penalty amounts.

## **REDUCING FUTURE INFORMATION REPORTING PENALTY LIABILITY**

Human Resources offices can proactively avoid IRPs by ensuring accurate and timely reporting of employee information in ACAS and allocating sufficient resources to monitor compliance. The state

has been actively communicating this information to HR offices since 2014, and it is critical for HR offices to prioritize ACA compliance to avoid potential penalties. Through taking these measures, the state will ensure a higher level of compliance with ACA regulations, minimizing the need for corrected 1095-Cs, which result in IRPs. This can be achieved by:

- Integrating ACA processes into the HR office daily workflow and ensuring staff attend regular training and utilize the ACA support inbox for accurate and timely data entry.
- Allocating appropriate staff to key ACA transactions to prevent late keying.
- Monitoring monthly and quarterly compliance reports produced by SCO, along with regular compliance communications by CalHR and the CSU Chancellor's Office.

## **INFORMATION REPORTING PENALTY RESOURCES**

Human Resources offices may find detailed information on IRPs and the IRP appeal process on the [ACA IRP](#) webpage and may email the SCO IRP Inbox with specific questions at [ppsdacairp@sco.ca.gov](mailto:ppsdacairp@sco.ca.gov).

### **PPSD and CSU Contact Information:**

- [PPSD Contacts and Additional Information](#)
- [Campus Information Retrieval System \(CIRS\) | Contact Email](#)

### **Web Resources:**

- [For HR Personnel](#)
- [For State Employees](#)

LD:CC:ACA