



Compliance

TAX INFORMATION REPORTING

ACA Information Reporting Proposal for Monterey County

8/12/2015

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Proposal

Executive Summary

Sovos Compliance is pleased to present the following proposal to your organization. Sovos Compliance is the industry leader in providing flexible, on-demand tax information reporting and withholding management services and solutions. We leverage our unique application of technology and nearly 30 years of proven experience to serve more than 2,200 clients. The companies we work with trust Sovos Compliance because we tailor our solutions to meet their unique needs, we maintain a high level of expertise in the ever-changing regulatory landscape, and we are committed to providing a superior client experience. Our 98% client retention rate speaks to the value we provide our customers.

Affordable Care Act (ACA) information reporting is very similar to what our business has been 100% focused on for nearly 30 years. Organizations find comfort in knowing Sovos Compliance has already successfully processed and delivered nearly 1 Million 1095 tax forms for tax year 2014, a “beta year” according to the IRS. Our industry expertise and proven technology will help Applicable Large Employers (ALE) satisfy their ACA reporting obligations, ensuring accurate information returns to their employees, a compliant transmittal to the IRS, and peace of mind internally.

Tracking of coverage offers and enrollment, eligibility determination, and code generation are considered legal advice and are outside of the scope of services offered by Sovos Compliance.

This proposal reflects Sovos Compliance’s offerings that will support your organization in meeting their ACA reporting obligations, and is organized as follows:

- I. *Understanding Your Needs/Obligations*
 - o *Business Goals*
 - o *Challenges & Capabilities Needed*
- II. *Sovos Compliance’s Service Recommendation*
- III. *Activation*
- IV. *Support Hours*
- V. *Value Summary & Pricing*

I. Understanding Your Business Needs/Obligations

Common Business Objectives for ACA Reporting

- Leverage services offered by trusted 3rd party to outsource ACA information reporting
- Maintain and ensure compliance and data security around ACA information reporting
- Deliver timely tax forms to employees and transmittals to the IRS

Common Business Challenges

Through our experience in working with many organizations around ACA information reporting, we have identified the most common business challenges and/or concerns that typically arise. These identified issues/concerns are outlined below, as are Sovos Compliance’s capabilities:

Challenges/Areas of Concern	Specific Capabilities Convey/Sovos Compliance Provides
<p><i>Reduce Risk and Ensure Compliance</i></p> <p>ACA reporting is brand new and there are real penalties associated with reporting inaccurate information, for both your organization and employees. IRS scrutiny and company image are concerns for many organizations evaluating their obligations.</p>	<p>The ability to outsource the administrative responsibilities of ACA tax information reporting to a proven, trusted and experienced 3rd party vendor, who has already successfully processed and delivered nearly 1 million 1095 tax forms to the IRS.</p> <p>On-demand technology that gives you instant access to all ACA tax information reporting data.</p>
<p><i>Improve Operational Efficiency</i></p> <p>Limited resources to manage the reporting process, including data mapping, creating forms, printing and mailing process, and managing form corrections. Additionally, a new transmittal is required by the IRS for this ACA information reporting obligation.</p> <p>The IRS estimates the time it will take to complete each form will be about 12 minutes.</p>	<p>Smart data mapping and form generation, utilizing technology that is maintained by Sovos Compliance, saving clients the burden from managing releases and updates.</p> <p>The ability to outsource statement delivery to a proven 3rd party provider with the required security controls to handle high volumes of sensitive tax information.</p> <p>Experience electronically transmitting data to the IRS and role as an IRS transmittal system testing partner.</p>



<p><i>Employee Satisfaction</i></p> <p>Employee experience around this new reporting. Providing an accurate and timely information return to your employees.</p>	<p>Sovos Compliance’s solutions enable clients to proactively ensure information returns will be delivered to the intended recipients.</p> <p>Clients have the ability to leverage Sovos’ nearly 30 year working relationship with the IRS. The need to hire and train additional employees will be eliminated and overhead expenses will be reduced.</p> <p>Ensuring an accurate and timely information return will reduce the call volume during tax season.</p>
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II. Recommendation

Considering the known goals, needs, complexities, and obligations unique to your organization, Sovos Compliance's recommendation is to utilize our Taxport ACA service. This recommendation is outlined below.

Taxport ACA – Taxport ACA is a scalable solution that provides an efficient and compliant way to manage the ACA tax reporting process including simplified data import and data validation, 1095 form generation, printing and mailing of forms, IRS transmittals, and corrections for forms. Taxport ACA is a SaaS (Software-as-a-Service) solution with industry-leading capabilities around data security and management. Since Taxport ACA is a SaaS, it does not require hardware to be installed at the client's site nor will the client need to apply updates or back-up data as it is maintained by Sovos Compliance. Sovos Compliance continuously researches all federal and state regulatory changes, updating Taxport ACA as necessary with any new regulations and instructions.

Taxport ACA Security – Sovos Compliance has comprehensive business continuity and a disaster recovery plan to ensure your data is secure and available when you need it most. We certify to the ISO27001 Information Security Management Standard to ensure our client's data security, availability, and confidentiality requirements are met. We utilize SSAE 16 SOC 1 audited data centers and advanced encryption technology ensuring data security, including transmission of data and data-at-rest encryption (FIPS 140-2 Level 3 Certified) within our software as a service environment.

Statement Delivery – Sovos Compliance provides secure printing and mailing of forms. Forms are monitored and individually tracked throughout the print process using quality controls such as barcoding and imaging. The use of pressure sealed forms is tamper evident, providing the most secure method to deliver information returns containing Protected Health Information (PHI). Before forms are mailed, Sovos Compliance verifies addresses with the National Change of Address (NCOA) to ensure forms are delivered to the intended recipients in a timely manner, ultimately reducing return mail for clients and providing industry leading customer experience.

III. Activation

As an industry leader, we are confident that our services will advance the automation of your organization's ACA information reporting process, create greater efficiencies, reduce compliance risk, and ensure a positive employee experience. Getting off to a good start will encourage a long and rewarding partnership between your organization and Sovos Compliance.

Training – Sovos Compliance is committed to ensuring our clients receive the highest value from their chosen services. Sovos Compliance provides training sessions throughout the year to ensure added value from your tax information reporting investment.

Client Services – Every tool we create, every service we offer, is backed up by a team of tax technology experts. And we provide our clients with extended support whenever the need arises with 24/7 emergency after hours support.

Support

Overview

Client Support shall provide on-going web and telephone support during the hours set forth below. Support includes general product and technical assistance for all current and supported product releases, running on the infrastructure and/or environment for which they are intended.

Support Hours

	Toll Free Client Support Hours		Emergency After Hours Support
January 1 through January 31	Monday - Friday	7AM-7PM Central Time	24 Hours per day, 7 days per week
	Saturday	8AM – 12PM Central Time	
	Sunday	Closed	
February 1 through April 30	Monday – Friday	7AM-7PM Central Time	
	Saturday – Sunday	Closed	
May 1 through September 30	Monday – Friday	8AM-5PM Central Time	
	Saturday – Sunday	Closed	
October 1 through December 31	Monday – Friday	7AM-7PM Central Time	
	Saturday – Sunday	Closed	

IV. Pricing Summary

Sovos Compliance's goal is to provide our clients with services that reduces risk while improving operational efficiency and employee experience. The table below provides a snapshot of the fees required to deliver the recommended solution designed to meet your known goals, needs, complexities, and obligations unique to your organization.

<u>Service offering</u>	<u>Volume</u>	<u>Annual Subscription</u>
Taxport ACA	Up to 7500 forms	\$29,548.80
Statement Delivery	Up to 7500 forms	Included above
Activation	Up to 7500 forms	\$0
Support	Up to 7500 forms	\$0
Annual Total		\$29,548.80

*Standard Contract is a 3-year subscription.

**Statement delivery includes print, first-class postage, and delivery.

*Please note this quote expires on August 31, 2015.

Next Steps

As discussed, I will deliver this proposal and follow up with you to determine what steps are necessary for you to complete the purchase of your ACA reporting solution. If you should need anything before I reach out to you, please do not hesitate to contact me.

Your primary point of contact at Sovos Compliance is:

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