PENALTIES FOR EMPLOYERS NOT OFFERING COVERAGE UNDER THE AFFORDABLE CARE ACT DURING 2018

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Did the employer have at least 50 full-time equivalent employees in the previous year?

YES

Does the employer offer health insurance coverage to at least 95% of its full-time workers and their dependent children?*

YES

Did at least one full-time employee receive a premium tax credit or cost-sharing subsidy in the federal or state Marketplace?

NO

The employer must pay a penalty for not offering coverage.

NO

The penalty for each month the employer fails to offer coverage is $2,320 divided by 12, times the number of full-time employees (minus up to 30).

YES

Penalties do not apply to employers with fewer than 50 full-time equivalent employees.

NO

The penalty for each month the employer fails to offer coverage is $3,480 divided by 12, for each full-time employee receiving a premium tax credit that month (up to a maximum of $2,320 divided by 12, times the number of full-time employees (minus up to 30)).

NO

Does the insurance pay for at least 60% of the covered health care expenses for a standard population (called minimum value)?

YES

Do any employees have to pay more than the 9.56% of their household income (called affordable coverage)?**

NO

There is no penalty payment required of the employer.

NO

Did at least one full-time employee receive a premium tax credit to help pay for coverage on a Marketplace?

NO

The employer must pay a penalty for not offering coverage that is affordable and provides minimum value.

YES

Did at least one full-time employee receive a premium tax credit to help pay for coverage on a Marketplace?

YES

Did at least one full-time employee receive a premium tax credit or cost-sharing subsidy in the federal or state Marketplace?

* A dependent child is defined as a child of an employee who is under the age of 26. Employers do not face a penalty under the Affordable Care Act if they do not offer coverage to the spouse of a full-time employee.

** Affordability is determined by reference to the taxpayer’s household income (i.e., the employee’s required contribution for self-only coverage should not exceed 9.56% in most states for 2017). Since employers generally do not know the worker’s household income, to determine if an employer may be subject to a penalty, the employer can measure 9.5% against three separate safe harbor amounts (the worker’s Form W-2 wages, the worker’s hourly rate of pay as of the first day of the coverage period, or the federal poverty line for a single individual). Note that a worker’s and the worker’s dependents’ eligibility for premium tax credits or cost sharing subsidies are based on family income, not the safe harbor amounts.