

THE BEACON

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INCREASE IN ACA AFFORDABILITY PERCENTAGES

The ACA considers the affordability of employer-sponsored health plans for the purposes of the shared responsibility rules, the premium tax credit, and the individual mandate exemption. Affordability is based on a certain percentage of the employee's household income for the tax year. The percentage amount has increased over the years and will increase significantly in 2019.

Beginning January 1, 2019, employer-sponsored coverage will be considered affordable if the employee's required contribution for self-only coverage does not exceed 9.86 percent of the employee's household income for the year (for the employer shared responsibility rules and for the tax credit eligibility rules) and 8.3 percent of the employee's household income for the year, for purposes of an individual mandate exemption.

The ACA's employer shared responsibility rules require applicable large employers (ALEs) to offer affordable, minimum value health coverage to their full-time employees or pay a penalty. The affordability contribution percentage increase to 9.86 percent for 2019 means that employer-sponsored coverage will be considered affordable under the employer shared responsibility rules if the employee's required contribution for self-only coverage does not exceed 9.86 percent of the employee's household income for the tax year.

Affordability is also considered by the ACA in determining an employee's eligibility for a tax credit. If a full-time employee receives a premium tax credit for coverage under the Exchange, the shared responsibility penalty is triggered. The affordability contribution percentage was also increased to 9.86 percent for 2019 for purposes of the determination of eligibility for a tax credit.

The individual mandate is essentially no longer in effect beginning in 2019 as a result of the Tax Cuts and Jobs Act. However, the affordability contribution percentage used to determine whether individuals are exempt from the mandate due to lack of access to affordable minimum essential coverage was increased to 8.3 percent of the employee's household income for any individuals who may need to seek the exemption for other purposes.

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