

# The Affordable Care Act

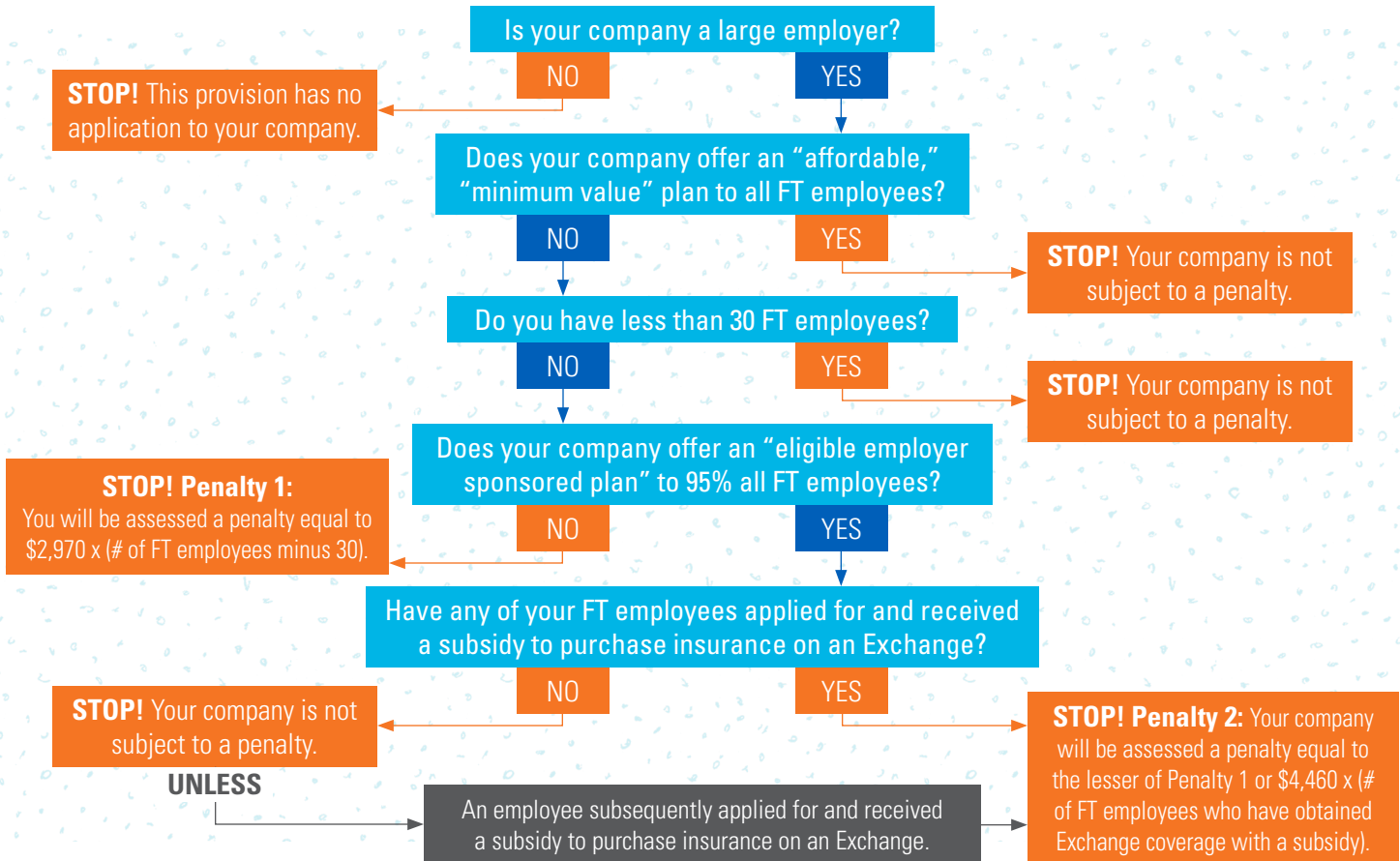
Here's how the Affordable Care Act (ACA) may impact your business.



## Employer shared responsibility

Employers with 50 or more full time (FT) employees and full-time equivalent (FTE) employees face a tax penalty if they don't offer health insurance plans that give employees a certain amount of value. An employer penalty would also apply if any of the employees receive an exchange subsidy to lower

their cost through the health insurance exchanges. There are no tax penalties for employers with less than 50 FT employees. The flow chart below reflects a simplified look at how the Affordable Care Act (ACA) applies the penalty to employers.



## Affordability and Minimum Value

An employer is considered a **large employer** if it employs an average of at least 50 FT and FTEs in the applicable calendar year. An employee is considered FT by working at least 30 hours per week during the period measured.

The affordability of any health coverage offered by a large employer is a key point in determining whether the employer will be subject to a shared responsibility penalty. Under the ACA provisions, employers providing health insurance coverage to all employees that work at least 30 hours per week will not receive a penalty. However, the coverage must meet the following two ACA requirements for price and coverage:

**Affordability** – The IRS will assess a penalty against a plan that requires any employee to pay more than 9.61% of the employee's income reported in Box 1 of the employee's W-2 Form.









**Minimum Value (MV)** – A plan is viewed as providing minimum value only if the plan covers 60% of total healthcare expenses.

If your business offers minimum value coverage that is affordable to all FT employees, your business cannot, under any circumstances, be subject to penalties.

## Affordability examples

What is the maximum you could charge an employee for single coverage and still have your plan considered an “affordable” group health plan? Below are a few examples showing

different wage amounts and the maximum monthly employee amount that an employer can charge. The chart begins with the current Kansas minimum hourly wage of \$7.25.

 Hourly Rate	 Hours /week	 52 weeks per year	=	 Annual Income	 9.61% of Income	=	 Annual Cost	 12 months per year	=	 Maximum Monthly Employee Cost
\$7.25	30	52	=	\$11,310	.0961	=	\$1,087	12	=	\$91
\$7.25	40	52	=	\$15,080	.0961	=	\$1,449	12	=	\$121
\$7.75	30	52	=	\$12,090	.0961	=	\$1,162	12	=	\$97
\$7.75	40	52	=	\$16,120	.0961	=	\$1,549	12	=	\$129
\$9.00	30	52	=	\$14,040	.0961	=	\$1,349	12	=	\$112
\$9.00	40	52	=	\$18,720	.0961	=	\$1,799	12	=	\$150

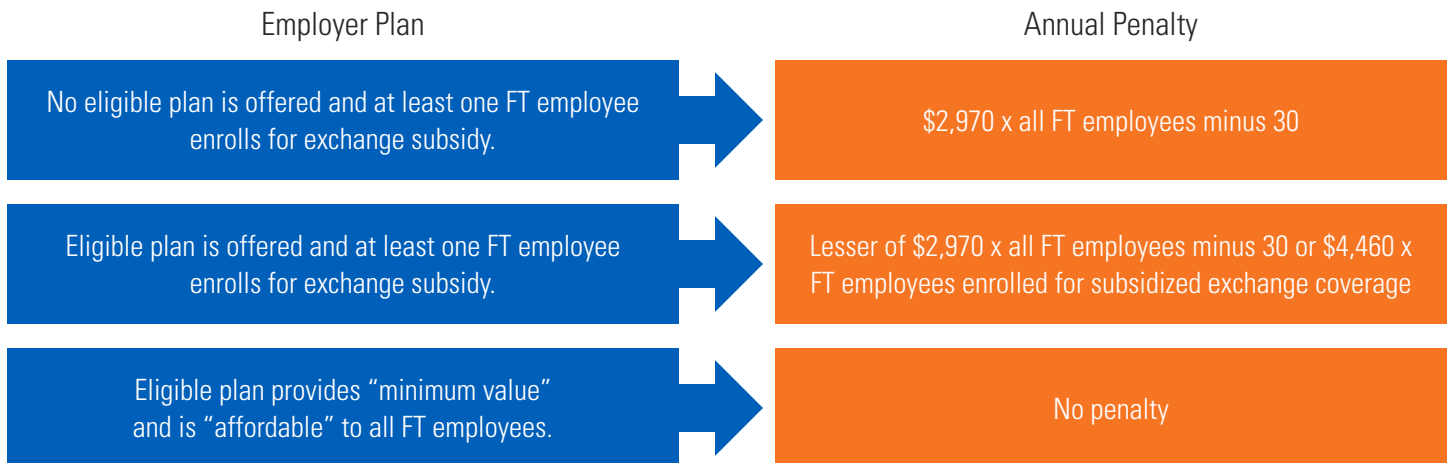
## Who is eligible for an exchange tax credit (subsidy)?

Individuals and families meeting certain income requirements will be eligible to receive tax credits – sometimes referred to as subsidies – to help purchase health insurance. Additionally, one must not have access to affordable, minimum value health insurance through his or her employer in order to receive a tax credit. Rather than having to wait to complete the filing of taxes – as is the case with most tax credits – these tax credits will be available immediately to help reduce cost of health insurance premiums.

level who are not eligible for other public programs such as Medicaid, Children’s Health Insurance Program (CHIP), Medicare or military coverage. The premium tax credits will vary with income and are structured in such a way that an individual or family will not pay more for their health insurance premiums than a certain percentage of their income. The scale ranges from no more than 2% for those with incomes of 133% of the federal poverty level to 9.61% for those with incomes between 300-400% of the federal poverty level.

The tax credits are available for U.S. citizens and legal immigrants with incomes up to 400% of the federal poverty

## The employer mandate penalty



## Penalty examples

### Hypothetical businesses that DO NOT provide eligible plan

Employer	Number of employees (EEs)	Number of EEs receiving subsidy
Employer A	45	1

**Penalty:** No penalty for Employer A since the business has less than 50 FT employees.

Employer B	150	1
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**Penalty:** \$356,400 penalty for Employer B since the business has at least 50 FT employees but has one employee receiving an exchange subsidy (\$2,970 x all FT employees minus 30)

Employer C	500	5
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**Penalty:** \$1,395,900 penalty for Employer C since the business has at least 50 FT employees but has at least one employee receiving an exchange subsidy (\$2,970 x all FT employees minus 30).

### Hypothetical businesses that offer eligible plan

Employer	Number of EEs	Number of EEs receiving subsidy
Employer D	45	1

**Penalty:** No penalty for Employer D since the business has less than 50 FT employees.

Employer E	150	1
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**Penalty:** For Employer E, the penalty is the lesser of \$2,970 per employee, minus the first 30 employees, or \$4,460 per subsidized employee.

$$\$2,970 \times 120 \text{ employees} = \$356,400$$

$$\$4,460 \times 1 \text{ employees} = \$4,460 \text{ (lesser penalty applies)}$$

Employer F	500	5
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**Penalty:** For Employer F, the penalty is the lesser of \$2,970 per employee, minus the first 30 employees, or \$4,460 per subsidized employee.

$$\$2,970 \times 470 \text{ employees} = \$1,395,900$$

$$\$4,460 \times 5 \text{ employees} = \$22,300 \text{ (lesser penalty applies)}$$

For complete information on the employer shared responsibility provisions, visit [irs.gov](https://www.irs.gov).

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