

2023 EMPLOYER MANDATE PENALTIES

Penalty "A" 4980H (a)	Penalty "B" 4980H (b)
<ol style="list-style-type: none"> 1. No offer of minimum essential coverage (MEC) 2. <u>Trigger: FT employee gets Premium Tax Credit (PTC) from Exchange</u> 3. \$2,880* x all FT employees minus first 30 FT employees 4. Calculated on a monthly basis at 1/12 of \$2,880 or \$240.00 per month <p><i>Must offer to "all" FT employees. Regulators defined "all" as 95% (all but greater of 5% or 5 FT employees)</i></p> <p><i>* IRS will increase this penalty each year.</i></p>	<ol style="list-style-type: none"> 1. Coverage is not <u>affordable</u> or does not provide <u>minimum value</u> 2. <u>Trigger: FT employee gets Premium Tax Credit (PTC) from Exchange</u> 3. \$4,320* per FT employee receiving a Premium Tax Credit from the exchange. 4. Calculated on a monthly basis at 1/12 of \$4,320 or \$360.00 per month. <p><i>An Applicable Large Employer (ALE) that avoids Penalty "A" could be subject to Penalty "B" if FT employee that receives an offer for MEC that is considered unaffordable and/or does not meet minimum value gets PTC from Exchange.</i></p> <p><i>* IRS will increase this penalty each year.</i></p>
<p>Example:</p> <p><i>An employer with 80 FT employees does not offer MEC coverage to its FT employees and their dependents, and at least one of those 80 employees receives a PTC from the Exchange for all 12 months of 2023.</i></p> <p><i>80 FT employees - 30 = 50</i> 50 x \$2,880 = \$144,000 penalty</p>	<p>Example:</p> <p><i>An Applicable Large Employer with 60 FT employees does not offer coverage that is affordable according to ACA regulations, and 20 of those FT employees receive a PTC from the Exchange for all 12 months of 2023.</i></p> <p>20 x \$4,320 = \$86,400 penalty</p>

EITHER PENALTY MAY APPLY IN A GIVEN MONTH, BUT NOT BOTH

Penalty B cannot exceed the amount the employer would have owed had it been liable for Penalty A. This ensures an ALE that offers Minimum Essential Coverage (MEC), but does not meet affordability or Minimum Value criteria, never gets a penalty amount that exceeds what it would have been liable for, had it not offered MEC at all.