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2024 EMPLOYER MANDATE PENALTIES RELEASED

The Affordable Care Act (ACA) requires applicable large employers (ALEs), meaning employers that averaged at least fifty full-time employees (including full-time equivalent employees) during the preceding calendar year, to offer at least 95% of their full-time employees and the children of those employees who are under age 26 medical coverage that qualifies as minimum essential coverage. The ACA also requires that ALEs offer all their full-time employees medical coverage that is both affordable and provides minimum value. Failure to comply with any one of these requirements can lead to employer shared responsibility (ESRP) or “employer mandate” tax penalties, which are adjusted annually for inflation. The Internal Revenue Service (IRS) just released [the employer mandate penalty amounts for the 2024 calendar year](#).

These penalties are triggered for any month in which at least one of an ALE’s full-time employees enrolls in individual health insurance coverage through an exchange and receives a tax subsidy for doing so because the employer’s offer of coverage did not comply with the ACA’s employer mandate. There are two categories of ESRP penalties, both of which are adjusted annually for inflation. Section 4980H(a) penalties can apply for any month in which an ALE fails to offer minimum essential coverage to at least 95% of its full-time employees and their children. These penalties are calculated according to the employer’s total full-time employee count, minus a 30-employee “grace” number. The annual (a) penalty, which was originally set at \$2,000 when the ACA passed in 2010, will be adjusted to \$2,970 for calendar year 2024.

Section 4980H(b) penalties can be triggered for any month in which the employer has offered minimum essential coverage to at least 95% of their full-time employees and applicable children, but they have not either: (1) offered coverage to a specific full-time employee (and/or their children), (2) offered affordable coverage, or (3) offered minimum value coverage. These penalties are assessed according to the number of full-time employees who received subsidized exchange coverage each month during the calendar year. The annual (b) penalty amount was originally set at \$3,000 and has been adjusted to \$4,460 for the 2024 calendar year. Of note, employers cannot receive both (a) and (b) penalties in any given month. Rather, the IRS will always assess the higher of the two in cases where both would apply.

A comparison between the 2022 through 2024 calendar year 4980H(a) and (b) penalties can be found in the table on the following page.

Penalty	2022	2023	2024
4980H(a)	<u>Annual</u> \$2,750	<u>Annual</u> \$2,880	<u>Annual</u> \$2,970
	<u>Monthly Conversion</u> \$229.17 per full-time employee	<u>Monthly Conversion</u> \$240.00 per full-time employee	<u>Monthly Conversion</u> \$247.50 per full-time employee
4980H(b)	<u>Annual</u> \$4,120	<u>Annual</u> \$4,320	<u>Annual</u> \$4,460
	<u>Monthly Conversion</u> \$343.33 per full-time employee who receives a tax credit	<u>Monthly Conversion</u> \$360.00 per full-time employee who receives a tax credit	<u>Monthly Conversion</u> \$371.66 per full-time employee who receives a tax credit

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