Bernardini & Donovan Insurance Services, Inc.

Health Care Advisor

Large Group Employer Tax Penalties Under the ACA

Under the ACA, Large Group Employers will face Tax Penalties if they do not offer 95% of their Full-Time Employees "Minimum Essential Coverage" or if the coverage they offer is unaffordable or not of minimum value to employees with household income between 100% and 400% of the federal poverty level: **AND**

At least one employee receives a tax credit for coverage in the Exchange.

What About Small Group Employers?

Small employers will not need to worry about this issue as groups with fewer than 50 Full-Time Equivalent employees will not be subject to this provision of the law.

TIP: If an employee is enrolled in an eligible employer-sponsored plan, regardless of the cost or value of the plan, the employee will NOT be eligible for a tax credit.

Tax for NO Coverage

If a large employer does not offer minimum essential coverage to full-time employees and their dependents, an employer may face a tax of:

$2,000 X the total number of full-time employees (FTE) if at least one FTE is receiving a premium assistance tax credit for coverage in the Exchange.

Large employers who do not offer coverage may subtract the first 30 workers when calculating their liability for taxes under the ACA.

Tax for UNAFFORDABLE Coverage

If a large employer offers minimum essential coverage to full-time employees and their dependents but the coverage is unaffordable to certain employees or does not provide minimum value, an employer may face a tax of:

The lesser of $3,000 X the number of FTEs receiving a premium assistance tax credit or $2,000 X the total number of FTEs

Coverage can be determined to be "unaffordable" if the employee's share of the premium cost exceeds 9.5% of the employee's wages as listed in Box 1 on their W-2s.

Calculating the MVR

Beginning on January 1, 2014, PPACA allows individuals who meet certain criteria to purchase health insurance through a state-based Exchange, and in some cases, individuals can receive a premium tax credit to help pay for the coverage. However to qualify for the subsidy, individuals cannot be covered by an employer-sponsored plan that is deemed to be both affordable and meets or exceeds the minimum value requirement (MVR). Specifically, an employer-sponsored health benefit plan will not meet the minimum value threshold if "the plan's share of the total allowed costs of benefits provided under the plan is less than 60 percent of such costs." If a full-time employee of large employer receives the premium tax credit, the employer may be liable for an assessable shared responsibility payment for the coverage purchased through the Exchange.

A proposed actuarial value (AV) calculator, or a minimum value (MV) calculator can be used to determine whether or not an employer could be subject to taxes under the ACA. In this method, employers are able to enter information about their health plan's benefits, the coverage of services, and cost-sharing information. AV and MV Calculators are available online at: **cciio.cms.gov/resources/files/mv-calculator-final-2-20-2013.xlsm**

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