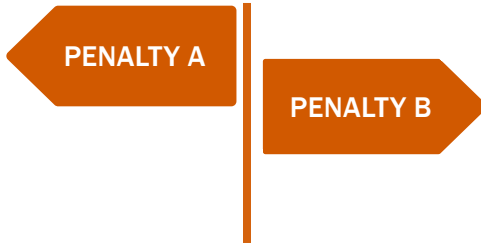


PLAY OR PAY EMPLOYER MANDATE

The Employer Mandate states that employers must offer health insurance that is affordable and meets the minimum value standards to all full-time employees and their dependents. Otherwise, the employer could be subject to an excise tax/penalty.

Penalty for not offering full time employees affordable medical insurance that meets the mandated Minimum Essential Coverage (MEC).



Penalty per-employee when the group medical insurance is deemed unaffordable or does not meet the Minimum Value and the employee receives premium tax credit for an individual plan in the exchange. The insurance is deemed affordable if the employee's contribution does not exceed 9.66% of income. All fully insured group health plans sold in California meet the mandated Minimum Essential Coverage and Minimum Value mandates.

PENALTY FOR NOT OFFERING INSURANCE (2016)

The \$2,000 per full-time employee penalty when an applicable large employer (ALE) fails to offer minimum essential coverage was increased to \$2,080 for 2015 and \$2,160 for 2016. An applicable large employer (ALE) has 50 or more full-time + full-time equivalents.

NUMBER OF FULL TIME EMPLOYEES	SUBTRACT 30 EMPLOYEES (IN 2016)	MULTIPLE BY \$2160 PENALTY	ANNUAL PLAY OR PAY FINE (NOT TAX DEDUCTIBLE)
50	20	x \$2160	\$43,200
60	30	x \$2160	\$64,800
70	40	x \$2160	\$86,400
80	50	x \$2160	\$108,000
90	60	x \$2160	\$129,600
100	70	x \$2160	\$151,200
110	80	x \$2160	\$172,800
120	90	x \$2160	\$194,400
130	100	x \$2160	\$216,000
140	110	x \$2160	\$237,600
150	120	x \$2160	\$259,200
160	130	x \$2160	\$280,800
170	140	x \$2160	\$302,400
180	150	x \$2160	\$324,000
200	170	x \$2160	\$367,200

PENALTY FOR NOT OFFERING AFFORDABLE INSURANCE

There is a per-employee penalty for employees who receive premium tax credits for an individual plan in the exchange when the group health insurance plan does not meet the affordability or Minimum Value standards. The \$3,000 penalty increased to \$3,120 in 2015 and \$3,240 for 2016.



IRS ALLOWED AFFORDABILITY SAFE HARBORS

Employers must offer coverage that meets the affordability standard. For plan years beginning in 2016, this means the employee's cost for self-only coverage must not exceed 9.66% of household income.

RATE OF PAY SAFE HARBOR

Affordability threshold was originally 9.5%. It was adjusted to 9.56 percent for plan years beginning in 2015¹, and to 9.66 percent for plan years beginning in 2016.²

9.66%	OF THE EMPLOYEE'S HOURLY RATE OF PAY	IS EQUAL TO	MULTIPLIED BY 130 HOURS	THIS IS THE MAXIMUM ALLOWED MONTHLY EMPLOYEE CONTRIBUTION FOR SELF ONLY INSURANCE
9.66	\$10	\$0.97	x 130	\$125.58
9.66	\$11	\$1.06	x 130	\$138.14
9.66	\$12	\$1.16	x 130	\$150.70
9.66	\$13	\$1.26	x 130	\$163.25
9.66	\$14	\$1.35	x 130	\$175.81
9.66	\$15	\$1.45	x 130	\$188.37
9.66	\$16	\$1.55	x 130	\$200.93
9.66	\$17	\$1.64	x 130	\$213.49
9.66	\$18	\$1.74	x 130	\$226.04
9.66	\$19	\$1.84	x 130	\$238.60
9.66	\$20	\$1.93	x 130	\$251.16
9.66	\$21	\$2.03	x 130	\$263.72
9.66	\$22	\$2.13	x 130	\$276.28
9.66	\$23	\$2.22	x 130	\$288.83
9.66	\$24	\$2.32	x 130	\$301.39
9.66	\$25	\$2.42	x 130	\$313.95

FORM W-2 SAFE HARBOR

Under the Form W-2 Safe Harbor, the employer may calculate the affordability of the coverage based solely on the wages paid to the employee as reported in Box 1 of Form W-2.

FEDERAL POVERTY LEVEL (FPL) SAFE HARBOR

Under the federal poverty line safe harbor, an applicable large employer member's offer of coverage to an employee is treated as affordable if the employee's required contribution for the calendar month for the lowest cost self-only coverage that provides the minimum value does not exceed 9.66 percent of the monthly amount determined as the federal poverty line for a single individual for the applicable calendar year divided by 12. The 2016 FPL for the 48 Contiguous States and the District of Columbia individuals is \$11,880 for an individual.³

2016 POVERTY LINE	DIVIDED BY 12	IS EQUAL TO	9.66% OF THE MONTHLY INCOME	EQUALS THE MAXIMUM EMPLOYEE CONTRIBUTION PER MONTH
\$11,880.00	÷ 12	\$999.00	x 9.66%	\$95.63

¹ Rev. Proc. 2014-37, 2014-33 IRB 363
² Rev. Proc. 2014-62, 2014-50 IRB 948
³ <https://aspe.hhs.gov/poverty-guidelines>

