

PUBLICATION

Good News for Employers: ACA Affordability Percentages Will Increase for 2019

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The IRS just announced an increase in the maximum permitted employee contribution percentages in 2019 for the purpose of determining the affordability of an employer's health plan under the Affordable Care Act (ACA). For plan years beginning in 2019, coverage will be considered affordable if the employee's required contribution for the lowest cost, self-only coverage does not exceed 9.86 percent (up from 9.56 percent in 2018) of the employee's household income for the year. Under safe harbor rules, this means the employee's share of the cost of self-only coverage cannot exceed 9.86 percent of (i) the employee's W-2 Box 1 wages, (ii) the employee's hourly rate of pay multiplied by 130, or (iii) the Federal Poverty Line (FPL) for a household of one.

These shared responsibility rules apply only to "applicable large employers" (ALEs). ALEs are those that had 50 or more full-time and full-time equivalent employees (together, "FTEs") during the preceding calendar year, determined on a controlled group basis. ALEs may be subject to penalty if they do not offer affordable coverage that provides minimum value to their FTEs. ALEs that do not meet the shared responsibility requirements can be subject to one of two tiers of penalties. Tier 1 penalties, which apply to all ALEs that fail to offer enrollment in health coverage – regardless of cost – to at least 95 percent of their FTEs, are equal to \$2,320 (for 2018) multiplied by all FTEs minus the first 30. Tier 2 penalties, which apply to ALEs that fail to offer health coverage that is both of minimum value AND affordable, are equal to \$3,480 (for 2018) multiplied by each FTE who enrolls in coverage through the ACA Marketplace and receives a premium tax credit.

For more information on the ACA and other benefits issues, contact the author, Andrea Powers, or any member of Baker Donelson's [Labor & Employment Group](#).