

# 2021 EMPLOYER MANDATE PENALTIES

<b>Penalty “A” 4980H (a)</b>	<b>Penalty “B” 4980H (b)</b>
<ol style="list-style-type: none"> <li>No offer of minimum essential coverage (MEC)</li> <li><u>Trigger: FT employee gets Premium Tax Credit (PTC) from Exchange</u></li> <li>\$2,700* x all FT employees minus first 30 FT employees</li> <li>Calculated on a monthly basis at 1/12 of \$2,700 or \$225.00 per month</li> </ol> <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"> <li>Coverage is not <u>affordable</u> or does not provide <u>minimum value</u></li> <li><u>Trigger: FT employee gets Premium Tax Credit (PTC) from Exchange</u></li> <li>\$4,060* per FT employee receiving a Premium Tax Credit from the exchange.</li> <li>Calculated on a monthly basis at 1/12 of \$4,060 or \$338.34 per month.</li> </ol> <p><i>An Applicable Large Employer (ALE) that avoids Penalty “A” could be subject to Penalty “B” if FT employee (part of greater of 5% or 5 FT not offered MEC) gets PTC from Exchange.</i></p> <p><i>* IRS will increase this penalty each year.</i></p>
<p><b>Example:</b></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 2021.</i></p> <p><i>80 FT employees - 30 = 50</i>  <b><i>50 x \$2,700 = \$135,000 penalty</i></b></p>	<p><b>Example:</b></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 2021.</i></p> <p><b><i>20 x \$4,060 = \$81,200 penalty</i></b></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.**

**For more information on types of employer payments and how they are calculated, visit:**

<https://www.irs.gov/affordable-care-act/employers/types-of-employer-payments-and-how-they-are-calculated>