

PLAY OR PAY EMPLOYER MANDATE FOR 2024

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 **8.39%** 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 (2024)

The per full-time employee penalty when an applicable large employer (ALE) fails to offer minimum essential coverage has been adjusted year over year. For 2024, the penalty is **\$2,970**.¹

NUMBER OF FULL-TIME EMPLOYEES	SUBTRACT 30 EMPLOYEES	MULTIPLY BY \$2,970 ESTIMATED PENALTY	ANNUAL PLAY OR PAY FINE (NOT TAX DEDUCTIBLE)
50	20	x \$2,970	\$59,400
60	30	x \$2,970	\$89,100
70	40	x \$2,970	\$118,800
80	50	x \$2,970	\$148,500
90	60	x \$2,970	\$178,200
100	70	x \$2,970	\$207,900
110	80	x \$2,970	\$237,600
120	90	x \$2,970	\$267,300
130	100	x \$2,970	\$297,000
140	110	x \$2,970	\$326,700
150	120	x \$2,970	\$356,400
160	130	x \$2,970	\$386,100
170	140	x \$2,970	\$415,800
180	150	x \$2,970	\$445,500
190	160	x \$2,970	\$475,200
200	170	x \$2,970	\$504,900

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. For 2024, the penalty is **\$4,460** per employee.

See potential penalties with the [Employer Shared Responsibility 4980H penalty calculator](#).

IRS ALLOWED AFFORDABILITY SAFE HARBORS

RATE OF PAY SAFE HARBOR

Employers must offer coverage that meets the affordability standard. For plan years beginning in 2024, this means the employee's cost for self-only coverage must not exceed **8.39%** of household income.²

8.39%	OF THE EMPLOYEE'S HOURLY RATE OF PAY	IS EQUAL TO	MULTIPLY BY 130 HOURS	MAXIMUM ALLOWED MONTHLY EMPLOYEE CONTRIBUTION FOR SELF ONLY INSURANCE
8.39%	\$11	\$0.92	x 130	\$119.98
8.39%	\$12	\$1.01	x 130	\$130.88
8.39%	\$13	\$1.09	x 130	\$141.79
8.39%	\$14	\$1.17	x 130	\$152.70
8.39%	\$15	\$1.26	x 130	\$163.61
8.39%	\$16	\$1.34	x 130	\$174.51
8.39%	\$17	\$1.43	x 130	\$185.42
8.39%	\$18	\$1.51	x 130	\$196.33
8.39%	\$19	\$1.59	x 130	\$207.23
8.39%	\$20	\$1.68	x 130	\$218.14
8.39%	\$21	\$1.76	x 130	\$229.05
8.39%	\$22	\$1.85	x 130	\$239.95
8.39%	\$23	\$1.93	x 130	\$250.86
8.39%	\$24	\$2.01	x 130	\$261.77
8.39%	\$25	\$2.10	x 130	\$272.68

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 **8.39%** of the monthly amount determined by the prior year's federal poverty line for a single individual for the applicable calendar year divided by 12. Calculations for 2024 are based on the 2023 FPL for the 48 contiguous states and the District of Columbia, which is **\$14,580** for an individual.³

2023 POVERTY LINE, USED FOR 2024 CALCULATIONS	DIVIDED BY 12	IS EQUAL TO	8.39% OF THE MONTHLY INCOME	EQUALS THE MAX EMPLOYEE CONTRIBUTION PER MONTH
\$14,580.00	÷ 12	\$1215.00	x 8.39%	\$101.94

¹ <https://www.irs.gov/affordable-care-act/employers/questions-and-answers-on-employer-shared-responsibility-provisions-under-the-affordable-care-act>

² Based on estimates from year over year trend

³ <https://aspe.hhs.gov/poverty-guidelines>