

REFORM TOPIC SUMMARY: *Employer Penalty*

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The following is a more detailed summary of the employer penalty and how it will be administered:

- Employer has more than 50 full time equivalents, but 40 actual full time employees
- Employer pays 100% of the employee's individual premium for full time employees and the coverage is qualified
- Employee's household income is below 400% of the federal poverty level at \$60,000
- Employee coverage cost is \$300, family is \$1,000 per month
- Employee picks family coverage
- Is the employer penalized and if so for how much?

Calculation:

- Employee's cost is \$700 per month (\$1,000-\$300) or \$8,400 per year
- \$8,400 is 14% of family's household income exceeding the 9.5% threshold; the employee is eligible for the premium tax credit through the exchange; so, the employer is subject to the penalty

Penalty criteria and calculation:

- At least one **full time** employee of the employer goes through the **exchange** and receives a **tax credit**
- Employer would pay the lesser of \$3,000 for each full time employee receiving a tax credit through the exchange, or \$2,000 times each full time employee, less the first 30
- In this example, 10 full time employees go through the exchange and will receive tax credits
- The penalty will be the lesser of $\$3,000 \times 10 = \$30,000$ or $\$2,000 \times 10$ (40 full time employees – the first 30) = \$20,000
- The employer pays \$20,000

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