TAX YEAR
2019

Health Care Reform
Employer Insurance Requirement

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Employer Insurance Requirement

Shared Responsibility for Employers

An applicable large employer that does not offer coverage to at least 95% of its full-time employees and their dependents, offers minimum essential coverage that is unaffordable, or offers minimum essential coverage that does not provide minimum value, may be subject to a shared responsibility payment. A plan provides minimum value if it covers at least 60% of the total allowed cost of benefits that are expected to be incurred under the plan.

The payment only applies if at least one full-time employee receives a Premium Tax Credit for purchasing coverage through the Marketplace. If the employer offers minimum essential coverage that is affordable and the employee rejects the coverage, the employer is not subject to the shared responsibility payment.

Applicable Large Employer

An employer is an applicable large employer in any calendar year if it employed an average of at least 50 full-time employees during the preceding calendar year. An applicable large employer includes any predecessor employer. An employer is not treated as employing more than 50 full-time employees if the employer's workforce exceeds 50 full-time employees for 120 days or fewer during the calendar year and the employees that cause the employer's workforce to exceed 50 full-time employees are seasonal workers. A seasonal worker is a worker who performs labor or services on a seasonal basis (as defined by the Secretary of Labor), including retail workers employed exclusively during the holiday season.

Counting Number of Employees

In counting the number of employees, a full-time employee for any month is an employee who works on average at least 30 hours or more each week, or 130 hours in a calendar month. A full-time employee is counted as one employee and all other employees are counted on a pro-rated basis. The number of full-time equivalent employees that must be taken into account is equal to the aggregate number of hours worked by non-full-time employees for the month, divided by 120.

An employer's number of full-time equivalent employees (or part-time employees) is only relevant to determining whether an employer is an applicable large employer. An applicable large employer does not need to offer minimum essential coverage to its part-time employees to avoid an employer shared responsibility payment. A part-time employee's receipt of the Premium Tax Credit does not make the employer subject to the shared responsibility payment.

New Employers

An employer that was not in existence on any business day in the prior calendar year is considered to be an applicable large employer if the employer reasonably expects to employ, and actually does employ, an average of at least 50 full-time employees (including full-time equivalent employees) on business days in the current calendar year. For the next calendar year, the general rules apply.

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Penalty Amount

There are two different employer shared responsibility payments. Applicable large employers will be subject to the penalty if they have at least one full-time employee that receives the Premium Tax Credit for purchasing coverage through the Marketplace.

If the employer does not offer minimum essential coverage to at least 95% of its full-time employees, the payment is equal to $2,500 (2019) for each full-time employee, with the first 30 employees excluded from the calculation. The calculation is based on all full-time employees, including those who have minimum essential coverage under the employer's plan or through another source.

If the employer offers minimum essential coverage to at least 95% of its full-time employees, the payment is equal to $3,750 (2019) for each full-time employee who received the Premium Tax Credit. The payment cannot exceed the amount the employer would have owed if it had not offered coverage. When an applicable large employer offers minimum essential coverage to at least 95% of its full-time employees, the employee can qualify for the Premium Tax Credit if:

- The coverage was unaffordable,
- The coverage did not provide minimum value, or
- The employee was not one of the at least 95% of full-time employees offered minimum essential coverage.

Note: The penalty amounts listed for 2019 are expressed as annual numbers. Each type of penalty is calculated on a monthly basis.

Small Business Health Options Program (SHOP)

The Small Business Health Options Program (SHOP) helps businesses provide health coverage to their employees. SHOP insurance is available to employers with 1–50 full-time equivalent employees who are not business owners, partners, or family members (1–100 in some states). Businesses using SHOP can:

- Control the coverage offered and how much is paid toward employee premiums.
- Choose whether to offer coverage to dependents.
- Choose from private health insurance plans that meet the needs of the business and employees.
- Choose to offer health only, dental only, or both health and dental coverage.
- Start coverage any time of the year.
- Decide how long new employees must wait before enrolling (cannot exceed 90 days).

To qualify to use SHOP:

- The coverage must be offered to all full-time employees (generally those working 30 or more hours per week on average).
- In many states, at least 70% of employees offered coverage must accept the offer, or be covered by another form of coverage, for the employer to participate.
- The business must have an office or employee work site in the state whose program it wants to use.

Businesses may qualify for the Small Business Health Care Tax Credit if they have fewer than 25 employees making an average of $50,000 or less. The credit can be worth up to 50% of the premium costs.

Businesses can enroll in SHOP insurance directly through their insurance company or with the assistance of a SHOP-registered agent or broker. See www.healthcare.gov for more information.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.