



IRS Publishes Adjusted 4980H Penalties for 2021

The IRS recently published the indexed adjustments to the employer shared responsibility penalties that apply to Applicable Large Employers (ALEs) for the 2021 calendar year, which include:

- **4980H(a): \$2,700** (up from \$2,570 for 2020) when the ALE fails to minimum essential coverage (MEC) to at least 95% of full-time employees and dependents and at least one full-time employee receives subsidized Exchange coverage.
- **4980H(b): \$4,060** (up from \$3,860 for 2020) when the ALE offers MEC to at least 95% of full-time employees and dependents, but the coverage offered either is unaffordable or does not provide minimum value and a full-time employee with such offer receives subsidized Exchange coverage. As a reminder, coverage is unaffordable for plan years beginning in 2021, if the employee required contribution for self-only minimum value coverage exceeds 9.83% of the employee's household income, as determined by one of the affordability safe harbors (Rate of Pay, Form W-2, or Federal Poverty Level).

The IRS continues to enforce these employer shared responsibility penalties against ALEs through Letter 226J, and whether an ALE receives this letter proposing penalties often turns on its Form 1094-C and 1095-C reporting. Additionally, many ALEs will face reporting challenges for 2020 due to employment decisions driven by COVID-19 when employees may have lost full-time status or health plan eligibility. As these penalties increase each year, the stakes for ALEs become higher making it critical that they ensure the accuracy of their filings. If you have concerns about penalty exposure or meeting these reporting requirements, ETC Companies is here to assist. For more information, please reach out to info@etctracking.com.

<https://www.irs.gov/affordable-care-act/employers/employer-shared-responsibility-provisions>