

IRS Proposes ACA Penalties for Non-coverage

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The Internal Revenue Service recently drafted ACA regulations that offer some insight into what will be the associated monetary penalties for individuals who do not take up health care coverage.

Under the proposed guidelines, which will be reviewed at a public hearing in May, IRS officials laid out guidelines for what will be deemed as “minimum essential coverage” under the ACA. Officials also offered a breakdown of fines.

If taxpayers do not enroll into these programs, which include “specified government-sponsored programs and health benefits coverage,” they will likely incur fines as a penalty.

Moreover, if individuals can get on program rolls but choose not to, IRS officials warn that a monthly penalty amount will be due. Under the shared responsibility provision, for individuals who do not have minimum coverage for a specific month, the dollar amount is \$95 in 2014, \$325 in 2015, and \$696 in 2016.

Following 2016, the IRS states that “the applicable dollar amount will be indexed by a cost-of-living adjustment.”

Percentages include 1% for taxable years beginning in 2014, 2% in 2015 and 2.5% for years beginning after 2015.

Limited-benefit coverage will be deemed acceptable, however. These include government-sponsored programs, including Medicaid-related programs, those for “medically needed” and two military health programs.

Exemptions to the rule include individuals who cannot afford minimum essential coverage or where the minimum plan’s costs exceed 8% of the individual’s household income for 2014. “Hardship exemptions” will also be considered for individuals unable to attain coverage.

Final comments are due by April 28. These rules are a part of the Individual Shared Responsibility provision, which started Jan. 1 of this year.