

# compliance ALERT

## IRS Decreases ACA Employer Mandate Affordability Percentage for 2022

September 20, 2021

The IRS recently announced, in [Revenue Procedure 2021-36](#), that the new affordability percentage for 2022 will decrease by almost a quarter of a percent from the 9.83% affordability percentage used for 2021. The new affordability percentage is now 9.61%.

Although not yet released, the ACA Employer Shared Responsibility (“Employer Mandate”) penalty amounts for failing to offer coverage, and for failing to offer coverage that meets the ACA’s minimum standards, can be projected using **prior years’ calculation methods**.

### What are the new Projected Employer Mandate Amounts for 2022?

The Employer Mandate penalty amounts for 2022 are projected as follows:

- For the “large penalty” for failing to offer Minimum Essential Coverage to at least 95% of the ACA-defined “full-time employees” and their dependent children (under Code § 4980H(a)), the penalty is projected to be \$2,750 per year (up from \$2,700 in 2021); and
- For the “small penalty” for failing to offer coverage that meets the ACA’s minimum standards of minimum value and affordability (under Code § 4980H(b)), the penalty is projected to be \$4,120 (up from \$4,060 in 2021).

As background, these penalty amounts are adjusted each year for inflation and other factors, and were originally set at \$2,000 for the large penalty, and \$3,000 for the small penalty. The large penalty, if applicable, is multiplied by every full-time employee in the organization (minus the first 30 employees) if a single employee qualifies for and receives a premium tax credit on an ACA Exchange. The small penalty, if applicable, is applied to every full-time employee that qualifies for and receives a premium tax credit on an ACA Exchange.

### What are the new Affordability Percentages and Affordability Safe Harbors?

In [Revenue Procedure 2021-36](#), the IRS announced that the new affordability percentage for 2022 will be 9.61%. This is a decrease from the 9.83% used for 2021.

This percentage is used for determining if the coverage an employer offers is affordable under one of three Employer Mandate affordability safe harbors. For 2022, an employer’s offer of medical coverage will be deemed to be affordable for purposes of the Employer Mandate penalty rules only if the required employee contribution for the lowest cost self-only tier option offered by the employer does not exceed 9.61% of the applicable safe harbor amount.

### What Should Employers and Plan Sponsors Do Next?

As open enrollment season is just around the corner (for most plans), employers and plan sponsors should begin the process of reviewing their planned 2022 offer of medical coverage, determine if it meets the ACA's minimum standards and is affordable, and assess and calculate any potential penalties that may be imposed. If your organization needs assistance with understanding the ACA's Employer Mandate rules, or calculating whether your offer of medical coverage will be affordable for 2022, please contact your Corporate Synergies Account Manager.

**If you have any additional questions,  
please call your Corporate Synergies  
Account Manager or 866.CSG.1719.**



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