

The Employer Mandate



Beginning in 2014, employers that employed an average of 50 full-time employees during the previous calendar year must offer health coverage that meets minimum essential coverage requirements or pay a fine. The one exception is for firms with more than 50 employees that have no employees receiving a tax credit for health insurance. For employers with more than 50 employees that offer coverage and have even one employee access a tax subsidy or cost reduction benefit for health insurance, penalties are \$3,000 per employee who receives the tax credit. Employers that do not offer coverage and have one employee receiving the tax credit in an exchange must pay \$2,000 per full time employee after exempting the first 30 full-time equivalents.

An employer is not considered an “applicable large employer” if the employer’s workforce exceeds 50 full-time employees for 120 or fewer days during the calendar year and the employees in excess of 50 during that period were seasonal workers. A full-time employee is defined as someone who is employed on average at least 30 hours per week. Part-time employees are taken into account as full-time equivalents for purposes of the 50 employee threshold (but not for penalty calculation purposes) by dividing the total number of hours worked by non-full-time employees during the month by 120.

The Joint Committee on Taxation estimates employers will pay \$52 billion over 10 years in penalties for noncompliance (CBO, March 20, 2010).

The following flowchart outlines the employer mandate and penalties.

