

Employer Shared Responsibility Provisions

Cross References

- IRC §4980H
- Rev. Proc. 2026-22

Applicable large employers (ALEs) must either offer minimum essential health coverage that is affordable to full-time employees (and dependents) or potentially pay a penalty to the IRS. An ALE is an employer that has on average at least 50 full-time employees (including full-time equivalents) during the preceding calendar year.

For purposes of the employer shared responsibility provisions, a dependent is an employee's child who has not reached the age of 26. Spouses are not considered dependents and neither are stepchildren or foster children.

Penalty. An ALE may be subject to one of the following penalties:

- **Failure to offer minimum essential coverage.** An ALE will owe a penalty if, for any month, it does not offer minimum essential coverage to at least 95% of its full-time employees (and dependents), and at least one full-time employee receives the Premium Tax Credit for purchasing coverage through the marketplace. The per month penalty for failing to offer minimum essential coverage is equal to \$2,000 divided by 12, multiplied by the number of individuals employed by the employer as full-time employees during such month.
- **Failure to offer affordable minimum essential coverage that provides minimum value.** If an ALE is not subject to the failure to offer minimum essential coverage penalty, the ALE may still be liable for a penalty for each full-time employee who receives the Premium Tax Credit for purchasing coverage through the marketplace. A full-time employee is eligible for the Premium Tax Credit if the employer coverage is not affordable, it covers less than 60% of the total allowed cost of benefits under the plan, or it is not offered to the employee. The per month penalty for failing to offer affordable minimum essential coverage is equal to \$3,000 divided by 12, multiplied by the number of full-time employees who purchase coverage through the marketplace and qualify for the Premium Tax Credit for such month.

Inflation adjusted amounts. The \$2,000 and \$3,000 penalties are adjusted for inflation each calendar year after 2014.

For calendar year 2027, the adjusted \$2,000 amount under IRC section 4980H(c)(1) is \$3,780.

For calendar year 2027, the adjusted \$3,000 amount under IRC section 4980H(b)(1) is \$5,670.