How to Handle an ACA Penalty Letter

The IRS has begun issuing letters to employers who are not offering health coverage to full-time employees. Under the Affordable Care Act’s (ACA) employer shared responsibility rule, applicable large employers must provide affordable health coverage to full-time employees or face stiff penalties.

There are two key provisions to the ACA’s employer shared responsibility rule that can trigger thousands of dollars in penalties:

1. Full-time employees must be provided health coverage.
2. That coverage must be adequate and affordable, as specified by the law.

Penalty amounts will depend on the year. Not offering health coverage could cost you between $2,080 and $2,320 per full-time employee. If coverage is unaffordable or inadequate, penalties range from $3,120 to $3,480 per affected employee.

Employer Takeaway

Due to continued delays by the IRS, many employers may be surprised to see penalties dating back to 2015.

Receiving a letter does not necessarily mean you will be penalized. There is a response period where you can reply and indicate whether you agree to the fine or contest it.

For instance, an employee who triggers a penalty may have been working part time for a period or simply missed the enrollment deadline. In these types of situations, employers can argue against the penalties and explain themselves. Errors can usually be corrected by resubmitting forms.

Regardless if the penalty is contested or not, responding immediately is considered the best approach for employers. The forms required by the IRS can be complicated and time consuming to fill out, so waiting until the last minute could end up costing you.

Beyond responding immediately, employers are encouraged to speak with a tax or legal advisor on how to proceed if they receive a letter from the IRS.

Please let Gowrie Group know if you have any questions about these or any other ACA penalties.