FACT SHEET

UNDERSTANDING THE
EMPLOYER MANDATE'S PENALTIES

An applicable large employer (ALE) has 50 or more full-time equivalent employees. GuideStone's *full time equivalent employee calculator* can help employers determine whether they are an ALE subject to the Affordable Care Act's (ACA's) Employer Shared Responsibility Provision (i.e., employer mandate).

WHEN DO THE PENALTIES APPLY?

Penalties apply when an ALE:

- Fails to offer minimum essential coverage to at least 95% of full-time employees and at least one full-time employee receives the premium tax credit and/or subsidy. (Note: The premium tax credit/subsidy is a triggering event for both penalties.)
- Offers minimum value coverage but
  - — The coverage is not affordable and
  - — An employee obtains coverage through the exchange and receives a premium tax credit and/or subsidy.

HOW MUCH ARE THE PENALTIES?

GuideStone's full-time equivalent employee calculator can estimate potential penalties for 2024 after you have entered all of your ministry's employees. If your ministry is an ALE with 50 or more full-time or full-time equivalent employees, look at the potential penalties box for an approximate calculation.

If your ministry does not offer minimum essential coverage to at least 95% of its full-time employees or, if greater, to five of its full-time employees, your ministry's penalty payment can be calculated by utilizing the following formula:

- Subtracting 30 full-time employees from the number of your ministry's full-time employees. (If your ministry is part of a controlled group, the reduction must be allocated among all members of the controlled group based on each member's number of full-time employees.)
- Multiplying the amount calculated above by $2,970 (for 2024).
- Dividing the above amount by 12 because the payment is assessed monthly.

If your ministry offers minimum essential coverage, but an employee receives a subsidy because the coverage is not affordable or does not provide minimum value, your ministry's penalty payment can be calculated by multiplying the number of your ministry's full-time employees who received a subsidy in a month by $4,460 (for 2024), then dividing the calculated amount by 12. This penalty is capped so that it does not exceed the penalty described above that the employer would owe if it did not offer coverage.

Employers must report whether coverage is offered, or not offered, to full-time employees by March 2 (or March 1 in leap year) of the subsequent plan year; however, this deadline has typically been extended in recent years. Reports filed electronically with the IRS are typically due last day of February (or March 31 if filling electronically) each year.

Please refer to our website's Health Care Reform section at *GuideStone.org/HealthReform* for more information.

HOW WILL YOUR MINISTRY KNOW IF IT OWES A PENALTY?

Prior to being assessed a penalty by the IRS, an ALE must receive a 1411 notice from the Health Insurance Marketplace that an employee has been determined eligible for a subsidy and that the employer has the right to appeal the determination. The employer can request an appeal within 90 days of the date of the notice of the employee's eligibility for a subsidy. The employer may submit relevant evidence in support of the appeal request. The employer may also designate a secondary contact to act on its behalf. Instructions for completing the appeal are found at *HealthCare.gov/downloads/marketplace-employer-appeal-form.pdf*.

The Health Insurance Marketplace must timely notify the employer and the employee that the employer's appeal was received. The Health Insurance Marketplace will review the appeal, may request additional information and must render its written decision within 90 days of the date the appeal request was received. If the employer's appeal is denied, the notice will explain any appeal rights the employer may have.

If a penalty is to be assessed, the employer will receive Letter 226J, providing the amount of the proposed Employer Shared Responsibility Payment, from the IRS.

GuideStone® welcomes the opportunity to share this general information. However, this information and the information in the calculator are not intended to be relied upon as legal advice. This information may be subject to interpretation or clarification over time, so we cannot guarantee its long-term accuracy or how it might be determined to apply in certain situations. However, we hope it will provide you a useful frame of reference as you endeavor to carry out your responsibilities and serve your employees.