



## BENEFIT NEWS BRIEFS

### ***IRS Releases “Affordability” Limit for Coverage Offered by ALEs for 2017***

Under the Affordable Care Act’s employer shared responsibility provisions, applicable large employers (ALEs) must either offer minimum essential coverage that is “affordable” and that provides “minimum value” to their full-time employees (and their dependents), or potentially make an employer shared responsibility payment to the IRS. The affordability requirement is based on an employee’s share of the cost of coverage for employer-provided coverage. For the first year, if an employee’s share was more than 9.5% of that employee’s annual household income, the coverage is not considered affordable for that employee. The cost threshold is updated annually to keep pace with inflation.

In [Revenue Procedure 2016-24](#), the IRS updated the percentages used to calculate marketplace subsidies, the affordability of employer-sponsored coverage provided by ALEs and the percentage for determining if an individual is exempt from individual shared responsibility payment because of a lack of affordable minimum essential coverage. For 2017, employer-sponsored coverage will be considered “affordable” if it is less than 9.69% of the applicable taxpayer’s household income.

Because employers generally will not know their employees’ household incomes, employers can take advantage of one or more of the three affordability safe harbors. The three affordability safe harbors are (1) the Form W-2 wages safe harbor, (2) the rate of pay safe harbor, and (3) the federal poverty line safe harbor. These safe harbors are all optional. An employer may use one or more of the safe harbors only if the employer offers its full-time employees and their dependents the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan that provides minimum value for the self-only coverage offered to the employee.

Where benefits are provided by an employer solely via collectively-bargained contributions to a multiemployer plan, the coverage is automatically affordable as the employee’s contribution is 0%.

\* \* \*