

Delay of Large Employer Penalties under Obamacare

On July 2nd, the Treasury Department announced in a blog post that it will be postponing for one year the requirement that large employers (greater than 50 employees) provide health insurance to employees, from the original start date of January 1, 2014 to a new start date of January 1, 2015. This one year delay also delays the large employer penalty which has been referred to as the “shared responsibility penalty” and the “pay or play penalty” and which may cost employers as much as \$3,000 per employee for not providing “affordable” health insurance that meets a certain level of “minimum value.”

In addition, the Treasury Department is in the process of simplifying new information-reporting requirements related to Obamacare and, therefore, has also allowed an extra year before employers are required to comply with these new reporting requirements. The Administration is strongly encouraging voluntary information reporting in 2014, though.

Individual mandates were not addressed in this blog post, so individuals are presumed to still be subject to penalties starting in 2014 if not covered by health insurance. The individual penalties are the greater of 1% of household income or \$95 for a single person (\$285 for a family) for 2014. The individual penalties increase considerably by 2016 to the greater of 2.5% of household income or \$695 for a single person (\$2,085 for a family). The individual penalties are not to exceed the national average premium for a bronze plan (amounts to be provided by the Department of Health and Human Services each year and are not yet available).

The Treasury Department will publish formal guidance for the delay of the large employer penalties and information-reporting requirements in the near future.

If you have any questions, then please contact:

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