

# ACA Employer Shared Responsibility Payments Adjusted for 2023

APA | Jyme Mariani, Esq. | September 16, 2022



The IRS has updated the employer shared responsibility (ESR) payment amounts for 2023 under the Affordable Care Act (ACA) [IRS, Questions and Answers on Employer Shared Responsibility Provisions Under the Affordable Care Act, 8-16-22]. The ESR payment amounts were set at \$2,000 and \$3,000 under the law but are adjusted annually for inflation.

## Background

Under the ACA, applicable large employers (ALEs) that do not offer minimum essential coverage (MEC) or offer it to fewer than 95% of their full-time employees (and their dependents) owe an ESR payment equal to the number of full-time employees (not full-time equivalents) the employer employed for the year (minus up to 30) multiplied by \$2,880 for 2023, as adjusted annually for inflation, as long as at least one full-time employee gets health insurance through an Exchange and receives the premium tax credit.

If ALEs offer MEC to at least 95% of their full-time employees (and their dependents), but at least one employee still obtains insurance through an Exchange and gets a premium tax credit, the employers' payment is computed separately for each month. The amount of the payment for the month equals the number of full-time employees who receive a premium tax credit for that month multiplied by 1/12 of \$4,320 for 2023, as adjusted annually for inflation.

The amount of the payment for any calendar month is capped at the number of the full-time employees for the month (minus up to 30) multiplied by 1/12 of \$2,880 for 2023. The cap

ensures that the payment for employers that offer coverage to 95% of their employees can never exceed the payment that an employer would owe if it did not offer coverage.

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