

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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