

Compliance Overview

Highlights

Overview

The ACA imposed a penalty on an individual for any month during which he or she did not maintain acceptable health coverage.

- Individuals could be eligible for an exemption from the penalty.
- Individuals could also be liable for the penalty for any nonexempt individual they may have claimed as a dependent.
- **The individual mandate penalty was reduced to zero, effective beginning in 2019.**

Penalty Amount

- The penalty started at the greater of \$95 per person or 1% of income for 2014.
- The penalty increased to \$325 or 2% of income in 2015.
- For 2016-2018, the penalty increased to \$695 or up to 2.5% of income.
- **Beginning in 2019, the federal penalty was reduced to zero.**

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The Individual Mandate

The Affordable Care Act (ACA) required most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. This rule, which took effect in 2014, is often referred to as the “individual mandate.” Individuals may have qualified for an exemption from the penalty in certain circumstances.

The penalty could have been assessed against an individual for any month during which he or she did not maintain “minimum essential coverage” (MEC) unless an exemption applied. The requirement to maintain MEC applied to all individuals of all ages (including children) unless that individual fell within a specific exception or was exempt.

The ACA’s individual mandate penalty was reduced to zero, effective in 2019. As a result, individuals can no longer be penalized under federal law for failing to obtain acceptable health coverage.

This Compliance Overview summarizes the ACA’s individual mandate for historical reference only. These rules are no longer applicable.

Links and Resources

- The IRS adjusted the affordability contribution percentages each year (in [Rev. Proc. 2014-37](#) for 2015, [Rev. Proc. 2014-62](#) for 2016, [Rev. Proc. 2016-24](#) for 2017, and the [2018 Notice of Benefit and Payment Parameters](#) for 2018).
- The [Tax Cuts and Jobs Act](#) reduced the ACA’s individual mandate penalty to zero, beginning in 2019.

Provided by **Bolton**

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Current Status

The ACA's individual mandate penalty was reduced to zero, beginning with the 2019 tax year. **This effectively eliminated the individual mandate penalty for the 2019 tax year and beyond.** As a result, individuals are no longer subject to penalties under federal law for failing to obtain acceptable health insurance coverage for themselves and their family members.

Although the federal individual mandate penalty has been eliminated, some states have their own individual mandate requirements, such as California and Massachusetts.

Individual Mandate Rules – No Longer Applicable

How Much Was the Penalty?

The penalty for not obtaining acceptable health insurance coverage was phased in over a three-year period and was the greater of two amounts—the “flat dollar amount” and “percentage of income amount.” For purposes of calculating the penalty, income was the taxpayer's household income minus the taxpayer's exemption (or exemptions for a married couple) and standard deductions.

The penalty started at the greater of \$95 per person or 1% of income for 2014. The penalty increased to \$325 or 2% of income in 2015. In 2016 through 2018, the penalty increased to \$695 or up to 2.5% of income. **The penalty was reduced to zero for 2019.**

2014	\$95 per person/1% of income
2015	\$325 per person/2% of income
2016-2018	\$695 per person/2.5% of income
2019	\$0

Before 2019, families paid half the penalty amount for children, up to a family cap of three times the annual flat dollar amount. Also, the penalty was capped at the national average of the annual bronze plan premium.

BRONZE PLAN PREMIUM CAPS

- **2014 Bronze Plan Premium Cap** ([IRS Rev. Proc. 2014-46](#)): The monthly national average bronze plan premium for 2014 was **\$204** per individual, and **\$1,020** for a family with five or more members (or, annually, **\$2,448** for individuals and **\$12,240** for a family with five or more members).
- **2015 Bronze Plan Premium Cap** ([IRS Rev Proc. 2015-15](#)): The monthly national average bronze plan premium for 2015 was **\$207** per individual, and **\$1,035** for a family with five or more members (or, annually, **\$2,484** for individuals and **\$12,420** for a family with five or more members).
- **2016 Bronze Plan Premium Cap** ([IRS Rev. Proc. 2016-43](#)): The monthly national average bronze plan premium for 2016 was **\$223** per individual, and **\$1,115** for a family with five or more members (or, annually, **\$2,676** for individuals and **\$13,380** for a family with five or more members).

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- **2017 Bronze Plan Premium Cap** (IRS Rev. Proc. 2017-48): The monthly national average bronze plan premium for 2017 was **\$272** per individual, and **\$1,360** for a family with five or more members (or, annually, **\$3,264** for individuals and **\$16,320** for a family with five or more members).
- **2018 Bronze Plan Premium Cap** (IRS Rev. Proc. 2018-43): The monthly national average bronze plan premium for 2018 was **\$283** per individual, and **\$1,415** for a family with five or more members (or, annually, **\$3,396** for individuals and **\$16,980** for a family with five or more members).

Who Was Liable for a Penalty?

The penalty was assessed against an individual for any month during which he or she did not maintain “minimum essential coverage” (MEC) (unless an exemption applied). The requirement to maintain MEC applied to all individuals of all ages (including children) unless that individual fell within a specific exception or was exempt. An individual was treated as having coverage for a month if he or she had coverage for any one day of that month.

Exception for Certain U.S. Citizens Living Abroad

All U.S. citizens who did not qualify for an exemption were subject to the individual mandate, regardless of whether they lived in the U.S. or abroad. However, U.S. citizens who were not physically present in the United States for at least 330 full days within a 12-month period were treated as having minimum essential coverage for that 12-month period. In addition, U.S. citizens who were bona fide residents of a foreign country (or countries) for an entire taxable year were treated as having minimum essential coverage for that year.

Liability for Dependents

Liability for a dependent’s lack of MEC fell on the taxpayer who may have claimed the individual as a dependent, regardless of whether the taxpayer actually claimed the individual as a dependent for the taxable year. For this purpose, a dependent included a taxpayer’s qualifying children and qualifying relatives (such as parents or siblings who were supported by the taxpayer). This liability could not be assigned to another taxpayer, even if the other taxpayer had a legal obligation to provide the child’s health care. However, Exchanges could grant a hardship exemption to the custodial parent for a child in this situation if the child was ineligible for coverage under Medicaid or CHIP.

What Was Minimum Essential Coverage?

MEC included coverage under:

- A government-sponsored program, such as coverage under the Medicare or Medicaid programs, the Children’s Health Insurance Program (CHIP), TRICARE and certain types of veterans health coverage;
- An eligible employer-sponsored plan (including a self-funded plan, COBRA and retiree coverage), defined as any plan offered by an employer to an employee which is a governmental plan or a plan or coverage offered in the small or large group market within a state;
- A health plan purchased in the individual market; or
- A grandfathered health plan.

MEC excluded any coverage that consisted solely of excepted benefits (as defined by HIPAA). MEC also did not include specialized coverage, such as coverage only for vision or dental care, workers’ compensation, disability policies or coverage

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only for a specific disease or condition. Also, a number of government programs do not provide full coverage for medical expenses, and thus did not qualify as MEC. For example, Medicaid coverage for pregnant women or Medicaid programs that only cover family planning services, tuberculosis-related services or emergency medical conditions did not qualify as MEC. Similarly, TRICARE “space available care” and “line-of-duty-care” also did not qualify as MEC.

What Were the Exceptions from the Individual Mandate?

The ACA provided nine categories of individuals who were exempt from the penalty. An individual who was eligible for an exemption for any one day of a month was treated as exempt for the entire month.

Exemptions from the Individual Mandate		
Individuals who cannot afford coverage	Taxpayers with income below the filing threshold	Members of federally recognized Indian tribes
Individuals who experience a hardship	Individuals who experience a short gap in coverage	Religious conscience objectors
Members of a health care sharing ministry	Incarcerated individuals	Individuals not lawfully present in the U.S.

How Was the Penalty Enforced?

Starting in 2015, individuals filing a tax return for the previous tax year indicated which members of their family (including themselves) were exempt from the individual mandate. For family members who were not exempt, the taxpayer would indicate whether they had insurance coverage. For each non-exempt family member who did not have coverage, the taxpayer owed a payment.

The IRS generally assessed and collected individual mandate penalties in the same manner as taxes. However, the ACA imposed certain limitations on the IRS’ ability to collect the penalty. As a result, any assessable penalty under the individual mandate was likely subtracted from the tax refund that the individual was owed, if any.