Affordable Care Act Employer Mandate Penalties and Reporting Requirements Delayed Until 2015

Client Advisories

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The U.S. Department of Treasury made a surprising announcement on Tuesday to delay until 2015 the implementation of penalties for employers who fail to provide qualifying healthcare coverage under the Affordable Care Act (ACA). While encouraging employers to maintain or expand healthcare coverage in the interim, the Administration announced that a one year delay was warranted in light of concerns voiced by employers and insurers relating to the complexity of the requirements and the need for additional time for implementation.

Under the ACA, employers with more than 50 full-time employees who do not offer adequate and essential healthcare coverage will be required to pay "shared responsibility" penalties, once any full-time employee purchases coverage through a government-led health insurance "Exchange" using a federal subsidy. These penalties are as high as $2,000.00 per full-time employee, if no coverage is offered, or $3,000.00 for each full-time employee who utilizes the Exchange. These penalties were to go into effect on January 1, 2014. But, despite the previous pronouncements that the ACA would not be delayed, this announcement means that these penalties will not be applied to employers until 2015. This effectively means no tax revenues from employers will flow until tax returns are filed in 2016, at the earliest.

In addition, the announcement relieves employers and insurers from significant reporting requirements for an additional year. The requirements mandate that employers and insurers provide the IRS with information relating to the nature of the coverage offered, identification information for any individuals covered, premium costs, dates of coverage, any applicable waiting periods, and any other information required by the Administration. The Administration indicated that the decision to delay these mandatory reporting requirements for a year is designed in part to allow the Administration to consider ways to simplify the requirements. Proposed rules implementing these requirements are expected to be released later this summer.

The Administration clarified that this transitional relief will not affect employees' access to the premium tax credits available nor any other provision of the ACA, such as the setup of the Exchanges or the penalty that individuals will owe if they do not have qualifying healthcare coverage. Furthermore, it announced that it will be publishing formal guidance on the transitional relief announced in the near future.

If you have questions or concerns related to this ruling or other labor & employment matters, please contact a member of Archer's Labor and Employment Department in Haddonfield, N.J., at (856) 795-2121, in Hackensack, N.J., at (201) 342-6000, in Philadelphia, Pa., at (215) 963-3300, or in Wilmington, Del., at (302) 777-4350.

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