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Client Alert Applies To: Self-Funded, Fully-Funded, Large Group, and Small Group

August 8, 2022

IRS Announces Indexing Adjustments for 2023 ACA Affordability Calculations

The IRS has announced 2023 indexing adjustments for important percentages under the Affordable Care Act (ACA). In particular, for 2023, the required contribution percentage is used to determine whether employer-sponsored health coverage is “affordable” for purposes of the employer shared responsibility (pay or play) penalty will be 9.12%. This is down from 9.61% in 2022 and is the most substantial decrease from the baseline affordability percentage (9.5%) since the ACA penalty rules were implemented.

The updated percentage is effective for plan years beginning on or after January 1, 2023. Employers will want to evaluate their required employee contributions for the 2023 plan year using this new percentage. Employers subject to the employer shared responsibility penalty (i.e., employers with 50 or more full-time or full-time equivalent employees) whose 2022 employee contribution amount was close to the maximum amount allowed may need to lower the employee contribution amount for 2023 to meet affordability requirements.

Please visit www.moreton.com/news-events/ for more information and to view other client alerts. This Client Alert was written by Carolyn Cox, who provides our clients with compliance services. For additional questions, please contact Carolyn at 801-715-7110 or ccox@moreton.com.

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