



On July 24, 2014, the IRS released Revenue Procedure 2014-37 to index the Affordable Care Act's (ACA) affordability percentages for 2015 under the employer mandate. The IRS also adjusted upward the income level under which employees are exempt from the ACA's individual mandate.

### **Employer Mandate Adjustment**

An applicable large employer's health coverage will be considered affordable for plan years beginning in 2015 under the employer mandate if the employee's required contribution to the plan does not exceed 9.56 percent of the employee's household income for the year, up from 9.5 percent. This increase also applies to the three safe harbors that the IRS created in the regulations.

The reason for the increase is that the employer mandate was originally meant to take effect in 2014 but was subsequently delayed until 2015 or 2016, depending on employer size.

### **Individual Mandate Adjustment**

Revenue Procedure 2014-37 also adjusts the affordability percentage for the exemption from the individual mandate for individuals who lack access to affordable minimum essential coverage. For plan years beginning in 2015, coverage is unaffordable for purposes of the individual mandate if it exceeds 8.05% of household income (as opposed to 8% originally).

This change stems from the requirement that the IRS must adjust the affordability percentage to reflect the excess of the rate of premium growth over the rate of income growth for the preceding calendar year, with each subsequent plan year being adjusted accordingly.

For a copy of Revenue Procedure 2014-37, please click on the link below:

<http://www.irs.gov/pub/irs-drop/rp-14-37.pdf>