

New Figure Set at 9.12% for 2023

Under the Affordable Care Act's employer shared responsibility (pay or play) rules, applicable large employers—generally those who have 50 or more full-time employees (including full-time equivalent employees)—may be subject to a penalty if they do not offer **affordable coverage** that provides minimum value to their full-time employees and their dependents.

For plan years beginning in 2023, the Internal Revenue Service [announced](#) that coverage will generally be considered affordable if the employee's required contribution for the lowest-cost self-only health plan offered is **9.12% or less of his or her household income** for the taxable year.

This is the most substantial decrease in this percentage since these rules were implemented (down from 9.61% in 2022). It is the lowest this percentage has ever been set, at 0.38% below the statutory affordability percentage of 9.5%. **As a result, many employers may have to substantially lower their employee contributions for 2023 to meet the adjusted percentage.**

Given that employers are unlikely to know an employee's household income, they may use a number of [safe harbors](#) to determine affordability, including reliance on Form W-2 wages.