

## The Adjusted Penalty Amounts for 2021 are \$2,700 and \$4,060

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 dependent children.

Two separate penalties can apply under the employer shared responsibility rules—the Section 4980H(a) penalty and the Section 4980H(b) penalty.

- The Section 4980H(a) penalty can apply when an ALE does not offer coverage to “substantially all” full-time employees (and dependents). The annual Section 4980H(a) penalty is calculated as the ALE's number of full-time employees (minus 30) x \$2,000 (as adjusted).
- The Section 4980H(b) penalty can apply when an ALE does not offer coverage to all full-time employees, or the ALE's coverage is unaffordable or does not provide minimum value. The annual Section 4980H(b) penalty is calculated as \$3,000 (as adjusted) x the number of the ALE's full-time employees who receive an Exchange subsidy.

After 2014, the applicable per-employee dollar amounts of \$2,000 and \$3,000 are increased based on the premium adjustment percentage for the year. The IRS [announced](#) that, for the 2021 calendar year, the adjusted \$2,000 amount is **\$2,700** and the adjusted \$3,000 amount is **\$4,060**.