

PLAY OR PAY EMPLOYER MANDATE FOR 2027

The Employer Mandate states that employers must offer health insurance that is affordable and meets the minimum value standards to all full-time employees and their dependents. Otherwise, the employer could be subject to an excise tax/penalty.

Penalty for not offering full time employees affordable medical insurance that meets the mandated Minimum Essential Coverage (MEC).



Penalty per-employee when the group medical insurance is deemed unaffordable or does not meet the Minimum Value and the employee receives premium tax credit for an individual plan in the exchange. The insurance is deemed affordable if the employee's contribution does not exceed **10.22%** of income. All fully insured group health plans sold in California meet the mandated Minimum Essential Coverage and Minimum Value mandates.

PENALTY FOR NOT OFFERING INSURANCE (2027)

The per full-time employee penalty when an applicable large employer (ALE) fails to offer minimum essential coverage has been adjusted year over year. For 2027, the penalty is **\$3,780**.¹

NUMBER OF FULL-TIME EMPLOYEES	SUBTRACT 30 EMPLOYEES	MULTIPLY BY \$3,780 ESTIMATED PENALTY	ANNUAL PLAY OR PAY FINE (NOT TAX DEDUCTIBLE)
50	20	x \$3,780	\$75,000
60	30	x \$3,780	\$113,400
70	40	x \$3,780	\$151,200
80	50	x \$3,780	\$189,000
90	60	x \$3,780	\$226,800
100	70	x \$3,780	\$264,600
110	80	x \$3,780	\$302,400
120	90	x \$3,780	\$340,200
130	100	x \$3,780	\$378,000
140	110	x \$3,780	\$415,800
150	120	x \$3,780	\$453,600
160	130	x \$3,780	\$491,400
170	140	x \$3,780	\$529,200
180	150	x \$3,780	\$567,000
190	160	x \$3,780	\$604,800
200	170	x \$3,780	\$642,600

PENALTY FOR NOT OFFERING AFFORDABLE INSURANCE

There is a per-employee penalty for employees who receive premium tax credits for an individual plan in the exchange when the group health insurance plan does not meet the affordability requirement or Minimum Value standards. For 2027, the penalty is **\$5,670** per employee.

See potential penalties with the [Employer Shared Responsibility 4980H penalty calculator](#).

IRS ALLOWED AFFORDABILITY SAFE HARBORS

RATE OF PAY SAFE HARBOR

Employers must offer coverage that meets the affordability standard. For plan years beginning in 2027, this means the employee's cost for self-only coverage must not exceed **10.22%** of household income.²

10.22%	OF THE EMPLOYEE'S HOURLY RATE OF PAY	IS EQUAL TO	MULTIPLY BY 130 HOURS	MAXIMUM ALLOWED MONTHLY EMPLOYEE CONTRIBUTION FOR SELF ONLY INSURANCE
10.22%	\$11	\$1.1242	x 130	\$146.15
10.22%	\$12	\$1.2264	x 130	\$159.43
10.22%	\$13	\$1.3286	x 130	\$172.72
10.22%	\$14	\$1.4308	x 130	\$186.00
10.22%	\$15	\$1.5330	x 130	\$199.29
10.22%	\$16	\$1.6352	x 130	\$212.58
10.22%	\$17	\$1.7374	x 130	\$225.86
10.22%	\$18	\$1.8396	x 130	\$239.15
10.22%	\$19	\$1.9418	x 130	\$252.43
10.22%	\$20	\$2.0440	x 130	\$265.72
10.22%	\$21	\$2.1462	x 130	\$279.01
10.22%	\$22	\$2.2484	x 130	\$292.29
10.22%	\$23	\$2.3506	x 130	\$305.58
10.22%	\$24	\$2.4508	x 130	\$318.86
10.22%	\$25	\$2.5550	x 130	\$332.15

FORM W-2 SAFE HARBOR

Under the Form W-2 Safe Harbor, the employer may calculate the affordability of the coverage based solely on the wages paid to the employee as reported in Box 1 of Form W-2.

FEDERAL POVERTY LEVEL (FPL) SAFE HARBOR

Under the federal poverty line safe harbor, an applicable large employer member's offer of coverage to an employee is treated as affordable if the employee's required contribution for the calendar month for the lowest cost self-only coverage that provides the minimum value does not exceed **10.22%** of the monthly amount determined by the prior year's federal poverty line for a single individual for the applicable calendar year divided by 12.

The 2026 FPL amount should be used for plan years beginning January 1, 2027 for the contiguous states and District of Columbia, which is \$15,960 for an individual.³

2026 POVERTY LINE, USED FOR 2026 CALCULATIONS	DIVIDED BY 12	IS EQUAL TO	10.22% OF THE MONTHLY INCOME	EQUALS THE MAX EMPLOYEE CONTRIBUTION PER MONTH
\$15,960	÷ 12	\$1,330.00	x 10.22%	\$135.93

¹ <https://www.irs.gov/affordable-care-act/employers/questions-and-answers-on-employer-shared-responsibility-provisions-under-the-affordable-care-act>

² Based on estimates from year over year trend

³ <https://aspe.hhs.gov/poverty-guidelines>