Internal Revenue Service, Treasury

§ 1.5000A-4

In general, for each taxable year the shared responsibility payment is the lesser of—

(a) In general. For each taxable year the shared responsibility payment is the lesser of—

(1) The sum of the monthly penalty amounts for each individual in the shared responsibility family; or
§ 1.5000A–4

(2) The sum of the monthly national average bronze plan premiums for the shared responsibility family.

(b) Monthly penalty amount—(1) In general. Monthly penalty amount means, for a month that a nonexempt individual is not covered under minimum essential coverage, 1/12 multiplied by the greater of—
   (i) The flat dollar amount; or
   (ii) The excess income amount.

(2) Flat dollar amount—(i) In general. Flat dollar amount means the lesser of—
   (A) The sum of the applicable dollar amounts for all individuals included in the taxpayer’s shared responsibility family; or
   (B) 300 percent of the applicable dollar amount (determined without regard to paragraph (b)(2)(iii) of this section) for the calendar year with or within which the taxable year ends.
   (ii) Applicable dollar amount. Except as provided in paragraphs (b)(2)(iii) and (b)(2)(iv) of this section, the applicable dollar amount is—
      (A) $95 in 2014;
      (B) $325 in 2015; or
      (C) $695 in 2016.
   (iii) Special applicable dollar amount for individuals under age 18. If an individual has not attained the age of 18 before the first day of a month, the applicable dollar amount for the individual is equal to one-half of the applicable dollar amount (as expressed in paragraph (b)(2)(ii) of this section) for the calendar year in which the month occurs. For purposes of this paragraph (b)(2)(iii), an individual attains the age of 18 on the anniversary of the date when the individual was born. For example, an individual born on March 1, 1991, attains the age of 18 on March 1, 2017.
   (iv) Indexing of applicable dollar amount. In any calendar year after 2016, the applicable dollar amount is $695 as increased by the product of $695 and the cost-of-living adjustment determined under section 1(f)(3) for the calendar year. For purposes of this paragraph (b)(2)(iv), the cost-of-living adjustment is determined by substituting “calendar year 2015” for “calendar year 1992” in section 1(f)(3)(B). If any increase under this paragraph (b)(2)(iv) is not a multiple of $50, the increase is rounded down to the next lowest multiple of $50.

(3) Excess income amount—(i) In general. Excess income amount means the product of—
   (A) The excess of the taxpayer’s household income over the taxpayer’s applicable filing threshold (as defined in §1.5000A–3(d)(2)); and
   (B) The income percentage.
   (ii) Income percentage. For purposes of this section, income percentage means—
      (A) 1.0 percent for taxable years beginning in 2013;
      (B) 1.0 percent for taxable years beginning in 2014;
      (C) 2.0 percent for taxable years beginning in 2015; or
      (D) 2.5 percent for taxable years beginning after 2015.

(c) Monthly national average bronze plan premium. Monthly national average bronze plan premium means, for a month for which a shared responsibility payment is imposed, 1/12 of the annual national average premium for qualified health plans that have a bronze level of coverage, would provide coverage for the taxpayer’s shared responsibility family members who do not have minimum essential coverage for the month, and are offered through Exchanges for plan years beginning in the calendar year with or within which the taxable year ends.

(d) Examples. The following examples illustrate the provisions of this section. In each example the taxpayer’s taxable year is a calendar year and all members of the taxpayer’s shared responsibility family are ineligible for any of the exemptions described in §1.5000A–3 for a month.

Example 1. Unmarried taxpayer without minimum essential coverage. (i) In 2016, Taxpayer G is an unmarried individual with no dependents. G does not have minimum essential coverage for any month in 2016. G’s household income is $120,000. G’s applicable filing threshold is $12,000. The annual national average bronze plan premium for G is $5,000.
   (ii) For each month in 2016, under paragraph (b)(2)(ii) of this section, G’s applicable dollar amount is $695 (the lesser of $695 and $2,885 ($695 × 3)). Under paragraph (b)(2)(i) of this section, G’s flat dollar amount is $695. Under paragraph (b)(2)(i) of this section, G’s flat dollar amount is $695 (the lesser of $695 and $2,885 ($695 × 3)). Under paragraph (b)(3) of this section, G’s excess income amount is $2,700 (($120,000 − $12,000) × 0.025). Therefore, under paragraph (b)(1) of this section, the monthly penalty amount is $230 ($2,700 ÷ 12).
penalty amount is $225 (the greater of $58 ($695/12) or $225 ($2,700/12)).

(iii) The sum of the monthly penalty amounts is $2,700 ($225 × 12). The sum of the monthly penalty amounts is $5,000 ($5,000/12 × 12). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on G for 2016 is $2,700 (the lesser of $2,700 or $5,000).

Example 2. Part-year coverage. The facts are the same as in Example 1, except G has minimum essential coverage for January through June. The sum of the monthly penalty amounts is $1,350 ($225 × 6). The sum of the monthly national average bronze plan premiums is $2,500 ($5,000/12 × 6). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on G for 2016 is $1,350 (the lesser of $1,350 or $2,500).

Example 3. Family without minimum essential coverage. (i) In 2016, Taxpayers H and J are married and file a joint return. H and J have three children: K, age 21; L, age 15; and M, age 10. No member of the family has minimum essential coverage for any month in 2016. H and J’s household income is $250,000. H and J’s applicable filing threshold is $24,000. The annual national average bronze plan premium for a family of 5 (3 adults, 2 children) is $15,000.

(ii) For each month in 2016, under paragraphs (b)(2)(ii) and (b)(2)(iii) of this section, the applicable dollar amount is $2,780 (($695 × 3 adults) + (($695/2) × 2 children)). Under paragraph (b)(2) of this section, the flat dollar amount is $2,085 (the lesser of $2,780 or $2,085 ($695 × 3)). Under paragraph (b)(3) of this section, the excess income amount is $5,650 (($250,000 – $24,000) × 0.025). Therefore, under paragraph (b)(1) of this section, the shared responsibility payment imposed on H and J for 2016 is $5,650 (the lesser of $5,650 or $12,500). The annual national average bronze plan premium for a family of 5 (3 adults, 2 children) is $5,650.

(iii) The sum of the monthly penalty amounts is $5,650 ($470.83 × 12). The sum of the monthly national average bronze plan premiums is $12,500 ((($10,000/12) × 6) + (($15,000/12) × 6)). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on H and J for 2016 is $5,650 (the lesser of $5,650 or $12,500).

Example 5. Eighteenth birthday during the year. (i) In 2016 Taxpayers S and T are married and file a joint return. S and T have one child, U, who turns 18 years old on June 28. S, T, and U do not enroll in, and as a result are not eligible to receive benefits under, affordable employer-sponsored coverage offered by T’s employer for 2016. S and T’s household income is $60,000. S and T’s applicable filing threshold is $24,000. The annual national average bronze plan premium for a family of 3 (2 adults, 1 child) is $11,000.

(ii) For the period January through June 2016, under paragraphs (b)(2)(ii) and (b)(2)(iii) of this section, the applicable dollar amount is $1,737.50 (($695 × 2 adults) + ($695/2) × 1 child)). Under paragraph (b)(2) of this section, the flat dollar amount is $1,737.50 (the lesser of $1,737.50 or $2,085 ($695 × 3)). Under paragraph (b)(3) of this section, the excess income amount is $900 (($60,000 – $24,000) × 0.025). Therefore, under paragraph (b)(1) of this section, for January through June the monthly penalty amount is $144.79 (the greater of $144.79 ($1,737.50/12) or $75 ($900/12)). The monthly penalty amount for July through December is $173.75 (the greater of $173.75 ($2,085/12) or $75 ($900/12)).

(iv) The sum of the monthly penalty amounts is $1,911.24 (($144.79 × 6) + ($173.75 × 6)). The sum of the monthly national average bronze plan premiums is $11,000 ($1,833.33 × 12). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on S and T for 2016 is $1,911.24 (the lesser of $1,911.24 or $11,000).