

The ACA Affordability Threshold for 2023

By BRSi Compliance

On July 25th, the IRS released the 2023 ACA affordability percentage threshold for Applicable Large Employers, [ALE's](#). For 2023, the IRS set the affordability threshold at 9.12%, [IRS RP 2022-34](#). This is significantly lower than the 2022 affordability threshold of 9.61%.

In order to avoid a potential section 4980H(b) penalty, an ALE must make sure one of its plans provides minimum value and is offered at an affordable price. For plan years beginning in 2023, a plan is considered affordable (under ACA) if the employee's contribution level for the self-only coverage does not exceed 9.12% of the employee's household income. Since an employer has no way of knowing an employee's household income, the IRS offers three affordability safe harbor thresholds:

1. **W-2 Safe Harbor** - Coverage is affordable if the employee's annual contribution does not exceed 9.12% of the amount reported in Box 1 on the employee's W-2.
2. **Rate of Pay Safe Harbor** - Coverage is affordable if the employee's annual contribution does not exceed 9.12% of the employee's monthly wages.
3. **Federal Poverty Line Safe Harbor** - Coverage is affordable if the employee's monthly contribution does not exceed 9.12% of the federal poverty line for a single individual (divided by 12).

At your upcoming 2023 renewal, your BRSi Advisor will review your ACA affordability safe harbor options with you so you can make sure your plan remains in compliance with the new affordability threshold. Due to this lower 2023 threshold, some ALE's may have to reduce their employee, self-only contribution.

Disclaimer: This Compliance Alert is for informational purposes only. It is not intended to be exhaustive and should not be construed as or substituted for legal or tax advice. Please consult with your legal counsel or tax advisor for further guidance.

If you have any additional questions or concerns, please contact us at info@benefitreview.com

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