

IRS Lowers ACA Affordability Percentage for 2020

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The IRS recently [announced](#) the ACA affordability percentage for 2020, lowering the percentage from 9.86% to 9.78%. The affordability percentage only pertains to “Applicable Large Employers” (ALEs) who have, on average, at least 50 full-time employees or “full-time equivalents” (FTEs).

For plan years beginning in 2020, the coverage an employer offers to an employee will be considered *affordable* if the employee’s monthly contribution does not exceed **9.78%** of:

- The amount reported in Box 1 of the employee’s W-2, divided by 12 (W-2 Safe Harbor);
- The employee’s monthly wages, based on 130 hours per month (Rate of Pay Safe Harbor); or
- The [federal poverty line](#) (FPL) for a single individual, divided by 12 (Federal Poverty Line Safe Harbor).*

**The Federal Poverty Line Safe Harbor is calculated using the FPL as of 6 months prior to the beginning of the plan year because the FPL is not published until January of each year.*

**An employer may use different safe harbors for different categories of employees but must do so on a reasonable and consistent basis.*

Your BRSi Advisor will review your plan’s affordability for the 2020 plan year and assist you in developing a strategy for compliance.

If you have any questions regarding the new ACA affordability percentage, please contact me at adillingham@benefitreview.com.

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 legal counsel or a tax advisor for further guidance.

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