

## The ACA Affordability Threshold for 2024

By BRSi Compliance

Recently, the IRS released the 2024 ACA affordability percentage threshold for Applicable Large Employers, [ALE's](#). **For 2024, the IRS set the affordability threshold at 8.39%**, [Revenue Procedure 2023-29. \(irs.gov\)](#) This is significantly lower than the 2023 affordability threshold of 9.12%, and is the lowest percentage since its inception in 2014.

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 2024, a plan is considered affordable (under ACA) if the employee's contribution level for the self-only coverage does not exceed 8.39% 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 8.39% 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 8.39% of the employee's monthly wages.
3. **Federal Poverty Line Safe Harbor** - Coverage is affordable if the employee's monthly contribution does not exceed 8.39% of the federal poverty line for a single individual (divided by 12).

At your upcoming 2024 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 2024 threshold, some ALE's may have to reduce their employee, self-only contribution.

If you have any additional questions or concerns, please contact us at [info@benefitreview.com](mailto:info@benefitreview.com)

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