

Affordability Percentage for ACA Employer Mandate Expected to Dip Slightly in 2022

August 2021

The Internal Revenue Service (IRS) announced in Revenue Procedure 2021-36 that the required contribution percentage used by employers for complying with the Affordable Care Act's (ACA's) employer mandate will decrease in plan years beginning in calendar year 2022. The Revenue Procedure was announced in the IRS's Weekly Internal Revenue Bulletin (IRB-2021-35) published on August 30, 2021.

The required contribution percentage (RCP) is used by employers to determine whether an individual is eligible for affordable employer-sponsored minimum essential coverage under the ACA's employer mandate. The RCP for plan years beginning in calendar year 2022 will be 9.61%, which is a decrease from the 2021 RCP of 9.83%.

Employers should take the RCP into account when setting employee contributions as part of the employer's ACA employer mandate strategy. The lower RCP for 2022 plan years might require adjusting employee contributions to ensure coverage remains affordable in order to avoid or mitigate an employer mandate penalty under Code Section 4980H(b) (Code).

Simultaneously, the IRS will also publish the applicable percentage table that is used to calculate an individual's premium tax credit. The temporary applicable percentage table for 2022 was added to the Code by the American Rescue Plan Act of 2021.

Resources

Revenue Procedure 2021-36, which contains the updated RCP and applicable percentage table, is found on page 357 of IRB- 2021-35, available [here](#).

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