



HCTT-2015-77: Understanding the Different Types of 2015 Transition Relief under the Employer Shared Responsibility Provisions

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Understanding the Different Types of 2015 Transition Relief under the Employer Shared Responsibility Provisions

Under the [Affordable Care Act](#), certain employers – called applicable large employers – are subject to the [employer shared responsibility](#) provisions. If you are an ALE, you may choose to offer affordable minimum essential coverage that provides minimum value to your full-time employees – and minimum essential coverage to your full-time employees' dependents – or, alternatively, to potentially owe an employer shared responsibility [payment](#) to the IRS. The vast majority of employers fall below the workforce size threshold on which ALE status is based and therefore are not subject to the employer shared responsibility provisions.

The employer shared responsibility provisions were first effective on January 1, 2015, but [transition relief](#) from certain requirements is available for 2015, including the following:

- ALEs with fewer than 100 full-time employees, including full-time equivalent employees, won't be

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an employer shared responsibility payment for 2015, provided that certain conditions are met regarding the employer's maintenance of workforce and pre-existing health coverage. ALEs that are eligible for this relief must provide a certification of eligibility as part of the related information reporting that is required of all ALEs for 2015.

- ALEs are not required to offer coverage to full-time employees' dependents for the 2015 plan year, provided that they meet certain conditions, including that they take steps to arrange for such coverage to begin in the 2016 plan year and they do not drop current dependent coverage.
- In general, if an ALE does not offer minimum essential coverage to at least 95 percent of its full-time employees and their dependents, it may owe an employer shared responsibility payment based on its total number of full-time employees. For 2015, 70 percent is substituted for 95 percent. However, even if an employer offers minimum essential coverage to at least 70 percent of its full-time employees and their dependents for 2015, it may still owe the separate - generally smaller in the aggregate - employer shared responsibility payment that applies for each full-time employee who receives the premium tax credit for purchasing coverage through the Health Insurance Marketplace.
- If an ALE is subject to the employer shared responsibility payment because it doesn't offer minimum essential coverage to its full-time employees and their dependents, the annual payment is generally \$2,000 for each full-time employee - adjusted for inflation - after excluding the first 30 full-time employees from the calculation. For 2015, if an ALE with 100 or more full-time employees, including full-time equivalent employees, is subject to this employer shared responsibility payment, the payment will be calculated by reducing the ALE's full-time employees by 80, rather than 30.
- Transition relief is available for certain employers sponsoring non-calendar year plans for the months in 2015 prior to the beginning of the 2015 plan year with respect to certain employees, if the employer and plan meet various conditions.
- Rather than being required to measure its ALE status based on the number of full-time employees, including full-time equivalent employees, for all twelve months of 2014,

employers may instead base their 2015 ALE status on any consecutive six-month period – as chosen by the employer – during 2014.

For an employer with a non-calendar plan year, the first four types of transition relief listed above also apply for the months in 2016 that are part of the 2015 plan year.

For more information on transition relief see the transition relief [Questions and Answers](#) on IRS.gov/aca and the preamble to the ESRP regulations.

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