

## IRS Releases ACA Pay-or-Play Penalties for 2025

The IRS recently [released](#) updated penalty amounts for 2025 related to the employer shared responsibility (pay-or-play) rules under the Affordable Care Act (ACA). For calendar year 2025, the adjusted \$2,000 penalty amount is **\$2,900**, and the adjusted \$3,000 penalty amount is **\$4,350**. This is a decrease from the penalty amounts for the 2024 calendar year, which are \$2,970 and \$4,460, respectively.

Under the pay-or-play rules, an applicable large employer (ALE) is only liable for a penalty if at least one full-time employee receives a subsidy for Exchange coverage. Employees who are offered affordable, minimum-value (MV) coverage are generally not eligible for these Exchange subsidies.

Depending on the circumstances, one of two penalties may apply under the pay-or-play rules: the Section 4980H(a) penalty or the Section 4980H(b) penalty.

Under Section 4980H(a), an ALE will be subject to a penalty if it does not offer coverage to “substantially all” (generally, at least 95%) of its full-time employees and any one of its full-time employees receives a subsidy toward their Exchange plan. This monthly penalty is equal to the ALE’s number of full-time employees (minus 30) multiplied by 1/12 of \$2,000 (as adjusted) for any applicable month. For 2025, the adjusted penalty amount is \$2,900.

Under Section 4980H(b), ALEs that offer coverage to substantially all full-time employees but whose coverage is unaffordable or does not provide minimum value may still be subject to a penalty. The monthly penalty assessed on an ALE for each full-time employee who receives a subsidy is 1/12 of \$3,000 (as adjusted) for any applicable month. For 2025, the adjusted penalty amount is \$4,350. However, the total penalty for an ALE is limited to the 4980H(a) penalty amount.

## DOL Updates Model Employer CHIP Notice

The U.S. Department of Labor (DOL) has released a new [model Employer CHIP Notice](#) with information current as of Jan. 31, 2024.

As a reminder, the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA) imposes an annual notice requirement on employers that maintain group health plans in states that provide premium assistance subsidies under a Medicaid plan or a Children’s Health Insurance Plan (CHIP).

An employer is subject to this annual notice requirement if its group health plan covers participants who reside in a state that provides a premium assistance subsidy, regardless of the employer’s location.

The DOL’s model notice, which employers may use for this disclosure, is updated periodically to reflect changes in the states that offer premium assistance subsidies. The DOL’s model Employer CHIP Notice includes information current as of Jan. 31, 2024.

Employers could also choose to prepare their own notices or modify the model notice. Employers should be sure to include at least the minimum relevant state contact information for any employee residing in a state with premium assistance.