IRS Announces Lower 2024 Affordability Percentage for ACA Employer Mandate

August 2023

On August 23, 2023, the Internal Revenue Service (IRS) announced that the required contribution percentage used by employers for complying with the Affordable Care Act's (ACA's) employer mandate will significantly decrease for plan years beginning in calendar year 2024.

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. Per IRS Revenue Procedure 2023-29, the RCP for plan years beginning in calendar year 2024 will be 8.39 percent, which is a decrease from the 2023 RCP of 9.12 percent.

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 2024 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).

Revenue Procedure 2023-29 also published the applicable percentage table for 2024, which is used to calculate an individual's premium tax credit.

Resources

The updated RCP and applicable percentage table is available here.

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