

#healthyadulting

A YOUNG INVINCIBLES INITIATIVE

Breaking Down the ACA: Understanding the Penalty

Did you know you may have to pay a fee on your taxes if you did not maintain health insurance coverage last year?

The “Individual Shared Responsibility Payment”, also known as the “individual mandate” or “penalty”, is a fee for anyone who can afford health insurance, but did not maintain coverage. You will pay the fee for any month you, your spouse, or children do NOT have **qualifying health coverage*** under the Affordable Care Act. You may pay a penalty when you file your taxes for the previous year if you did not have health insurance for more than 2 consecutive months.

Time Period Without Insurance	Penalty Amount
Uninsured for 2 months or less	No Penalty (Short Gap Exemption)
Uninsured for 3-11 months	Pay pro-rated amount of the full penalty for each month without insurance
Uninsured for 12 months (Entire Year)	Pay the full penalty; The greater amount between \$695 or 2.5% of annual household income.

For a single person, the amount you could pay will be the **greater of** 2.5% of your annual income, or a flat dollar amount of \$695. A family that does not maintain health insurance coverage could pay 2.5% of the total family income or the flat dollar amount of \$695 per adult, plus \$347.50 per child, capped at \$2,085.

How Much is the Penalty?

Flat Dollar Penalty	Percent of Income Penalty
<ul style="list-style-type: none">\$695 per adult + 347.50 per child in a householdThe max penalty a family would pay is capped at \$2,085	<ul style="list-style-type: none">2.5% of yearly income after tax filing thresholdMaximum that can be paid will be equal to the national average of the total yearly premium of a Bronze Plan

How much will the penalty cost you?

Meet Stephanie and Jacob. They are both single adults without children who went all of 2016 without having health insurance. Stephanie made \$40,000 in 2016. Jacob made \$18,500 in 2016. Let's see how much they will have to pay for not having health insurance.

Jay	Stephanie
<p>Step 1: Subtract the tax filing threshold (\$10,150 for a single adult) from Jay's income $\\$18,500 - \\$10,150 = \\$8,350$</p>	<p>Step 1: Subtract Stephanie's income by tax filing threshold $\\$40,000 - \\$10,150 = \\$29,850$</p>
<p>Step 2: Multiply the remaining amount of Jay's income by the penalty percent amount. $\\$8,350 \times 2.5\% (.025) = \\208.75</p>	<p>Step 2: Multiply the remaining amount of Stephanie's income by the penalty percent amount. $\\$29,850 \times (.025) = \\746.25</p>
<p>Step 3: Compare Penalty as percent of income to flat dollar penalty. You will be charged the greater of the two amounts. $\\$695$ is greater than $\\$208.75$</p>	<p>Step 3: Compare Penalty as percent of income to flat dollar penalty. You will be charged the large of the two amounts. $\\$695$ is less than $\\$746.25$</p>
<p>Jay pays \$695 for not having health insurance for all of 2016.</p>	<p>Stephanie pays \$746.25 for not having health insurance for all of 2016.</p>

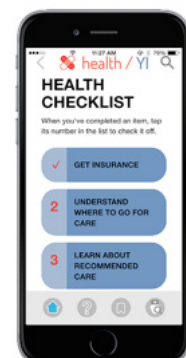


The best way to avoid the penalty is to maintain health insurance coverage for yourself and your family. But, if you cannot maintain health coverage, you may qualify for an exemption. **Exemptions** will waive the fee for not having health insurance. You may claim an exemption if you experience economic hardship, like being evicted or having a death in the family. You may also claim an exemption if you are a member of a federally recognized tribe, a health care sharing ministry, are incarcerated, or are a US citizen living abroad.

For a full list of exemptions visit: <https://www.healthcare.gov/health-coverage-exemptions/forms-how-to-apply/>

As you can see. Not having health insurance will cost you. So rather than pay something for nothing, get covered today. Download our Healthy Young America Mobile App, found on iTunes and the Google Play Store, to see what plans are available to you.

For information on avoiding the "penalty" and all other Affordable Care Act questions, visit www.healthcare.gov.



[Click here for a full glossary of health insurance terms.](#)

SOURCES

<https://www.healthcare.gov/glossary/penalty/>

<https://www.healthcare.gov/fees/>

<https://www.healthcare.gov/exemptions-tool/#/results/2015/details/short-gap>