

# Escalating ACA Penalty Letters Signal Increased Enforcement

Internal data from the past few years indicates a notable rise in the proposed penalty amounts for Affordable Care Act (ACA) non-compliance. Employers contacting us for assistance have increasingly reported receipt of penalty assessment letters from the IRS.

Penalty notices ticked upward in 2019, with multiple notices issued, totaling \$25,000. This year marked the beginning of a steep upward trend in both the total assessed penalties and the average cost per employer. By 2020, the total assessed penalties had increased to \$113,549.51, with an average employer cost of \$22,709.90.

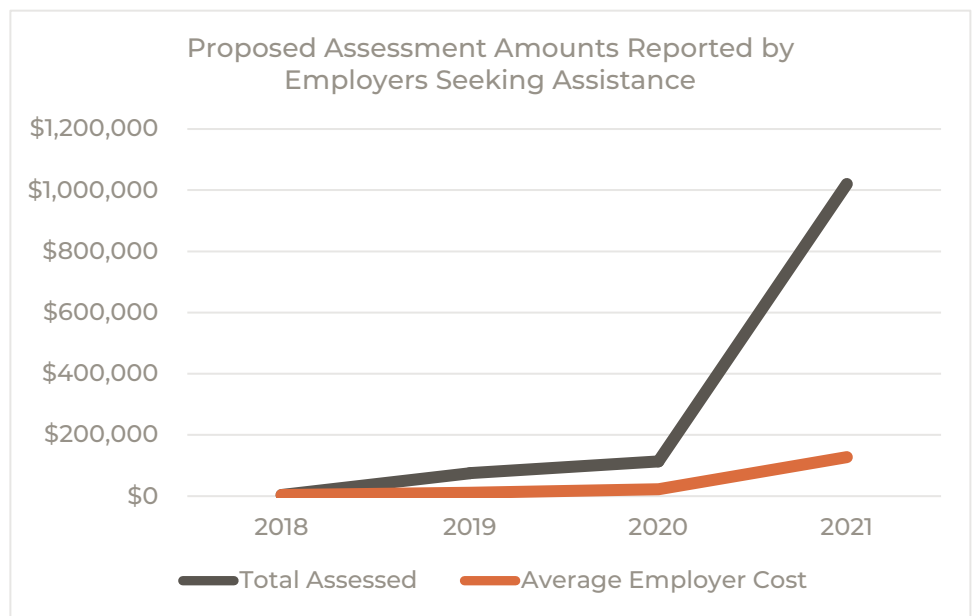


Figure 1 These figures were sourced from ESRP assistance inquiries for tax years 2018 to 2021 made to AFAS, parent company of ACACHamp.

The most striking increase occurred in 2021, where the total assessed penalties skyrocketed to \$1,020,290.54, with the average employer cost reaching an unprecedented \$127,536.32. This surge in penalties highlights a significant enforcement effort by the IRS and indicates that compliance with the ACA is being monitored more closely than ever before.

The data suggests that the IRS is not only issuing more penalty letters but is also imposing higher fines. This trend underscores the importance for employers to ensure they are in full compliance with the ACA's provisions. Employers must be diligent in offering qualifying health coverage to their employees and accurately reporting coverage information to the IRS.

The increase in penalty amounts and enforcement actions serves as a wake-up call for businesses to review their health insurance offerings and reporting practices. Companies that have not yet felt the impact of these penalties should take proactive steps to review their compliance status to avoid potential fines in the future.

The rise in ACA penalty letters is a clear indication that the IRS is intensifying its enforcement efforts. Employers must take this development seriously and take the necessary measures to ensure they meet the ACA's requirements. Failure to do so could result in substantial financial consequences, as the recent data alarmingly demonstrates.