



SEPTEMBER NEWSLETTER

CA STATE INDIVIDUAL MANDATE

California is the most recent state to pass legislation that would create a state specific individual mandate requiring all of its residents to obtain qualified health insurance or face a tax penalty. The new legislation establishes a state-wide Minimum Essential Coverage Individual Mandate. The new mandate, effective **January 1, 2020**, would require California residents, and any spouse or dependent, to enroll in qualified insurance coverage for each month of the year, with exemptions for individuals on the basis of financial hardship or religious beliefs as determined by the state's healthcare exchange, Covered California.

The bill would impose an Individual Shared Responsibility Penalty on state residents who fail to maintain Minimum Essential Coverage, as determined and collected by the state's Franchise Tax Board, in collaboration with Covered California. The new affordability provisions are anticipated to make it easier for certain individuals to obtain health insurance.

WHAT WOULD THE INDIVIDUAL SHARED RESPONSIBILITY PENALTY BE?

The MEC standards and reporting requirements will mirror the ACA provisions that have been in effect as of December 15, 2017. The penalty will be tied to several factors, including the average cost of an area bronze plan, an annually adjusted "applicable dollar amount", household size, and taxpayer income.

The monthly penalty equals 1/12 of the greater of:

- \$695 per adult plus \$347.50 per child that failed to maintain required coverage during the month, up to a maximum of \$2,085, or
- 2.5 percent of the excess of the individual's household income for the year over the amount of gross income that would trigger a state income tax return filing requirement.

ARE THERE EXEMPTIONS TO THE PENALTY?

California will not impose a penalty on an individual for a month in which any of the following apply:

- the individual's required contribution, determined on an annual basis, for coverage for the month exceeds 8.3 percent of the individual's household income for the tax year; or
- the individual does not have enough income to trigger a return filing requirement for the tax year.

California also will not impose a penalty with respect to any household member for a month if:

- the last day of the month occurred during a period in which the household member did not maintain minimum essential coverage, but
- the period was a continuous period of three months or less.

NOTICE FORMS

The Franchise Tax Board (FTB) will develop a reporting form that includes the covered individual's (and covered dependents') name, address, taxpayer identification number, and dates of MEC coverage during the calendar year. The FTB also will develop the notice to individuals. The FTB form may request additional data, but a form with the same information required by Section 6055 of the Internal Revenue Code (as of Dec. 15, 2017) will suffice for California reporting. This essentially means entities that provide coverage statements to individuals using IRS Forms 1095-A, 1095-B or 1095-C won't have to provide duplicate state notices, unless IRS substantially changes those forms.