<u>The IRS Family Glitch and Employer Coverage</u>

The Family Glitch pertains to those individuals & families who are offered employer-sponsored health insurance. Even if none of the family members in your tax household are enrolled in the employer-sponsored plan, we must use the Affordability Calculation to accurately determine if you and/or your family members are eligible for Marketplace tax credits. If we skip this step, you may owe the IRS tax credits you were not supposed to receive, and you will pay back these tax credits when you file your taxes. Enrolling into the Marketplace because you *think* your employer plan is not affordable is not how we determine affordability - we must use the IRS calculation to avoid tax liabilities.

From 2014 through 2022, the affordability of an employer-sponsored health plan was determined based on the cost for the *employee only - it did not calculate the cost for the rest of the family*. This where the Family Glitch gets its name. For 2025, the Affordability Calculation now considers the *employee AND family*.

In 2025, an employer-sponsored plan is considered affordable if your share of the monthly premium in the <u>lowest-cost</u> employer plan is <u>less than 9.02%</u> of your household income. This means you'll need to reference your employer health insurance options and use the <u>lowest-cost</u> plan to do the math. Note that the lowest-cost plan isn't always the plan you're enrolled in, which is why you need to reference your employer's insurance options.
Do not skip this step. The easiest way to do the following calculation is by visiting https://www.hafamerica.org/family-glitch-calculator/

Here's an affordability example:
Monthly tax household income example: $4083

- Multiply $4083 x .0902 = $368.28
- Round up to $369. Therefore, $369 is 9.02% of the household monthly income.

For the employee: The employee's portion for the lowest-priced employer plan is $300/month.

- Since the employee-only plan is $300/month and is less than $369, the <u>employer plan is affordable</u>. Therefore, the employee would not be eligible for Marketplace tax credits.

For the family members in the tax household: The premium the employee would have to pay for the lowest-priced family plan is $450/month.

- 9.02% of the household monthly income is $369. Since $450 is higher than $369, the employer-sponsored plan is not affordable for the rest of the family. In this case, the <u>employee-only rate is affordable but the family rate is not</u>. The employee should remain on their employer-sponsored plan, but the rest of the tax household can get a Marketplace plan with tax credits.