

LEGAL UPDATE

IRS Finalizes Change to Family Coverage Affordability Rules

On Oct. 11, 2022, the IRS released a [final rule](#) that changes the eligibility rules for the premium tax credit (PTC). The PTC is available to eligible individuals who purchase health insurance coverage through the Exchange. Individuals are not eligible for the PTC if they have access to employer-sponsored health coverage that is affordable and provides minimum value.

PTC Eligibility Change

Effective for 2023, the final rule changes the PTC rules for determining whether employer-sponsored coverage is affordable for family members. Currently, whether employer-sponsored coverage is considered affordable for family members is determined based on the lowest-cost self-only coverage available to the employee. The cost of family coverage is not taken into account under the current rules.

Under the final rule, an employer-sponsored plan is affordable for family members if **the portion of the annual premium the employee must pay for family coverage** (the employee's required contribution) does not exceed 9.5% (as adjusted annually) of household income. An employee's required contribution for family coverage is the portion of the annual premium the employee must pay for coverage of the employee and all other individuals included in the employee's family. The final rule also adds a minimum value rule for family members based on the benefits provided to the family members.

Impact of the Final Rule

Effective for 2023, more family members will likely be eligible for the PTC for coverage purchased through the Exchange. However, the final rule does not change the affordability rules for employees. Employees will continue to have an offer of affordable employer coverage if the employee's required contribution for self-only coverage does not exceed 9.5% (as adjusted) of household income. Therefore, an employee's family member may have an offer of employer coverage that is unaffordable even though the employee has an affordable offer of self-only coverage.

Highlights

- The final rule addresses eligibility for the premium tax credit, which is available for Exchange health coverage.
- The rule provides that affordability of employer-sponsored coverage for family members is determined based on the cost of family coverage.
- The final rule's changes apply to taxable years beginning after Dec. 31, 2022.

Effective for 2023, the affordability of employer-sponsored coverage for family members is determined based on the cost of family coverage.

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