

IRS Announces 2027 ACA Affordability Indexed Amount

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The IRS recently announced in [Revenue Procedure 2026-26](#) that the Affordable Care Act (“ACA”) affordability indexed amount under the Employer Shared Responsibility Payment (“ESRP”) requirements will be **10.22%** for plan years that begin in 2027. This is an increase from the 2026 percentage amount (9.96%).

■ Background

Rev. Proc. 2026-26 establishes the indexed “required contribution percentage” used to determine whether an individual is eligible for “affordable” employer-sponsored health coverage under Section 36B (related to qualification for premium tax credits when buying ACA Marketplace coverage). However, the IRS explained in IRS Notice 2015-87 that a percentage change under Section 36B will correspond to a similar change for affordability under Section 4980H ESRP requirements.

■ Determining Affordability in 2027

An employer will not be subject to a Section 4980H penalty with respect to an ACA full-time employee (“FTE”) if that employee’s required contribution for 2027 meets one of the following safe harbors:

1. The W-2 safe harbor.

The employee’s monthly contribution amount for the self-only premium of the employer’s lowest cost coverage that provides minimum value is affordable if it is equal to or lower than **10.22% of the employee’s W-2 wages** (as reported on Box 1 of Form W-2). Application is determined after the end of the calendar year and on an employee-by-employee basis. Box 1 reflects compensation subject for federal income taxes, which would exclude amounts such as employee contributions to a 401(k) or 403(b) plan, and towards other benefits through a cafeteria plan.

2. Rate of pay safe harbor.

The employee's monthly contribution amount for the self-only premium of the employer's lowest cost coverage that provides minimum value is affordable if it is equal to or lower than **10.22% of the employee's computed monthly wages**. For hourly employees, monthly wages are equal to 130 hours multiplied by their rate of pay. For salaried employees, monthly wages are equal to their monthly salary. Note, the rate of pay safe harbor is not available for tipped employees or employees compensated solely on commissions.

Note. For example, an hourly employee has a \$20/hour rate of pay. For a 2027 plan year, coverage is "affordable" for the employee if the employee's cost for self-only coverage does not exceed \$265.72/month $(\$20 \times 130 \text{ hours} \times 0.1022)$.

3. Federal Poverty Level ("FPL") safe harbor.

Coverage is affordable if it does not exceed **10.22% of the FPL**.

For a 2027 calendar year plan, coverage is affordable under the FPL safe harbor if the employee monthly cost for self-only coverage in the lowest cost plan that provides minimum value is not more than **\$135.92** (48 contiguous states), \$169.90 (Alaska), or \$156.36 (Hawaii). Note, this amount may increase (or decrease) when the 2027 FPL guidelines are issued.

■ Employer Action

Employers budgeting and preparing for the 2027 plan year should review these affordability safe harbors when analyzing employee contribution amounts for the coming year.

For Revenue Procedure 2026-26, please visit: <https://www.irs.gov/pub/irs-drop/rp-26-26.pdf>.