IRS Adjusts Coverage Affordability Percentage for Tax Credit (Not Safe Harbor) Purposes

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In recently released Revenue Procedure 2014-37 (the ?ÃÂ£***Rev. Proc.***?ÃÂ¥), the IRS adjusted the contribution percentage, from 9.5 percent to 9.56 percent, to be used in plan years beginning after calendar year 2014 to determine whether an individual is eligible for affordable employer-sponsored minimum essential coverage (?ÃÂ£***ER MEC***?ÃÂ¥) for purposes of the Affordable Care Act?ÃÃs premium tax credit (the ?ÃÂ£***Tax Credit***?ÃÂ¥). An individual is not treated as eligible for ER MEC with respect to the Tax Credit if the required contribution for plan coverage exceeds the applicable percentage of the taxpayer?ÃÃs ?ÃÂ£household income.?ÃÂ¥ Plan sponsors should be aware that the adjustment of the contribution percentage under the Rev. Proc. is limited to the Tax Credit; it does not necessarily apply to the affordability safe harbors for plan sponsors as provided by the final ?ÃÂ£play-or-pay?ÃÂ¥ regulations under the Affordable Care Act, which specifically reference a contribution percentage of 9.5 percent as applied to W-2 wages, the employee?ÃÃs rate of pay, or the federal poverty line. Pending any reconciliation of this issue by the IRS, plan sponsors that intend to rely on the play-or-pay safe harbors should continue to apply the 9.5 percent percentage when measuring the affordability of coverage. The Rev. Proc. is available **here**. The final play-or-pay regulations are available **here**.