

I. ACA TRANSITIONAL RULES/STATUS OF PAY OR PLAY

A. Mandate Delay/Transition Rules

1. The ACA will eventually require all employers with more than 50 full-time equivalent employees either offer insurance to employees working 30 hours or more per week or pay a tax penalty.
2. Internal Revenue Service (IRS) guidance delays application of the employer mandate for the following employers:
 - a. More than 50 and less than 99 full-time equivalent employees, mandate delayed until 2016, subject to some basic requirements including certification to not reduce staff or hours to avoid application of the mandate.



- b. More than 99 full-time equivalent employees:
 - (1) Employers avoid application of the "Sledgehammer penalty" in 2015, as long as the employer offers insurance to at least 70 percent of full-time employees.
 - (2) Employers are still subject to the "Rockhammer penalty," which applies if a full-time employee is not offered affordable, minimum value health insurance, and obtains subsidized insurance through the Exchange market. This penalty is \$3,000 per subsidized employee.
 - (3) For 2015, both the Sledgehammer and Rockhammer penalties are capped at \$2,000 per full-time employee minus the first 80 full-time employees. Therefore, if an employer has 100+ FTEs but less than 80 actual full-time employees (average 30+ hours per week), then the employer will not face any penalty in 2015.

3. The IRS also extended the following transition rules that had not yet been amended following the first employer mandate delay in 2013.
 - a. Plan Year - The employer mandate will not apply to employers with non-calendar year plans until the 2015 plan renewal date, as long as the employer offered insurance to a sufficient number of employees and maintained the plan year before December, 2012. Prior to this extension, large employers would have had to offer insurance beginning January 1, 2015, to avoid the tax penalties.
 - b. Measurement Period - For purposes of identifying full-time employees, employers may use a temporary measurement period of six months or