**ObamaCare Individual Mandate**

**ObamaCare's Individual Mandate: What is the Tax Penalty for Not Having Health Insurance?**

The individual mandate requires that most Americans obtain [health insurance](https://obamacare.net/enroll-now/?on=ocf-hlink-ocn) by 2014 or pay a tax penalty. The individual mandate went into effect January 1st, 2014. The penalty will be applied to your year-end federal [**modified adjusted gross income**](http://obamacarefacts.com/insurance-exchange/calculating-tax-credits.php) for each month you don't have health insurance or an [**exemption**](http://obamacarefacts.com/obamacare-mandate-exemption-penalty.php).

**To avoid the penalty you needed coverage that started by May 1st, 2014.** [**If you missed the deadline**](http://obamacarefacts.com/missed-deadline-obamacare.php) you'll have to wait until the marketplace opens again on November 15th, 2014 to get marketplace coverage unless you qualify for [**a special enrollment period**](http://obamacarefacts.com/special-enrollment-period.php).

**What is ObamaCare's Individual Mandate**

One of the key parts of " [ObamaCare](https://obamacare.net/enroll-now/?on=ocf-hlink-ocn)" is the individual mandate. Originally purposed by the Heritage Foundation in 1989, the individual mandate requires that all eligible Americans have at least basic health coverage.

The individual mandate is officially part of the shared responsibly provision and is called a individual shared responsibility fee. The fee works like this: if you don't have insurance in 2014 or obtain an exemption, you get charged a fee for every month you don't have insurance on your year-end [**MAGI taxable income**](http://obamacarefacts.com/insurance-exchange/calculating-tax-credits.php). If you have coverage for at least one day in that taxable year then you don't owe the payment for that month.

**Individual Mandate Summary**

We will cover each aspect of ObamaCare's individual mandate on this page. First however, here is a quick overview of the individual mandate.

To Avoid the Fee You'll Need Minimum Essential Coverage

The type of coverage you'll need to avoid the fee is called [**minimum essential coverage**](http://obamacarefacts.com/minimum-essential-coverage.php). Minimum essential coverage includes marketplace insurance, most private major medical plans off the marketplace, Medicare, Medicaid and CHIP, most employer based coverage, and more. Short term plans and other non-compliant plans purchased outside of [**open enrollment**](http://obamacarefacts.com/obamacare-open-enrollment.php) don't comply with [ObamaCare](https://obamacare.net/enroll-now/?on=ocf-hlink-ocn)'s individual mandate! In most cases you can only obtain private insurance that counts as minimum essential coverage during each years open enrollment due to insurers unofficially adopting marketplace enrollment periods!

You Need to Obtain and Maintain Minimum Essential Coverage

Although the mandate started January 1st, 2014 you have a 3 month grace period, due to a "short coverage gap" exemption, allowing you less than 3 months in a row without coverage in 2014 (this covered January through March for lots of folks).

There is [**another coverage gap exemption**](https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/Downloads/enrollment-period-faq-10-28-2013.pdf) that applies to those who purchased coverage between March 15th and April 15th, 2014 (this covers April since your coverage won't start until May 1st, 2014.) See below for more details on exemptions.

Moving forward into 2015 everyone is allowed a 3 month "short coverage gap" exemption once per year.

How Much is the Penalty for Not Having Insurance?

The **fee for not having insurance** in 2014 is $95 per adult and $47.50 per child (up to $285 for a family) or 1% of your taxable income, whichever is greater. See the "How the ObamaCare Tax Penalty Works" section below for important details as the specifics of the law or more complicated than that.

NOTE: The maximum penalty cannot exceed the national average yearly premium for a bronze plan. Also not the fee is 1/12 of the total fee, per household member, for each month they go without coverage.

**Individual Mandate Facts**

Beyond the overview above are a few things that every American should know about ObamaCare's individual mandate:

• You needed to enroll in minimum essential coverage that started no later than May 1, 2014 to avoid the per month fee for not having coverage.

• The fee is based off of the number of months in a given year an individual is without "minimal essential coverage" or an exemption.

• If buying a "silver plan" on the health insurance marketplace will cost you more than 8% of your family income, after subsidies, you are exempt from the mandate.

• You are allowed a short coverage gap of 3 consecutive months in a year and will be exempt from the fee for these months. In 2014 a second exemption covered an additional month.

• Most employer based coverage, Medicare, Medicaid, CHIP, private insurance and all insurance purchased through your State's marketplace count as minimal essential coverage.

• The requirement to obtain health coverage is essentially the trade Americans make for our new benefits, rights and protections including the requirement for insurers to cover anyone who can afford it.

• Those who choose to pay the tax help to subsidize the cost of health insurance purchased through the health insurance marketplace.

• ObamaCare makes insurance more affordable. Americans making under 400% of the federal poverty level may be able to obtain free or low-cost health insurance from their State's Health Insurance Marketplace.

• The "mandate" to have insurance is officially a tax as declared by the supreme court on June 28, 2012.

• The individual mandate is technically called an "Individual Shared Responsibility Fee".

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**How the ObamaCare Tax Penalty Works**

**Your tax penalty (shared responsibility fee) for not having insurance is paid on your federal income taxes at the end of the year. If your taxable income is below 133% of the federal poverty level you are exempt from this tax.**

2014 = $95 per adult and $47.50 per child per year | or 1% of your income (whichever is greater)

2015 = $325 per person and $162.50 per child per year | or 2% of your income (whichever is greater)

2016 = $695 per person and $347.50 per child per year | or 2.5% of your income (whichever is greater)

2017 = Tax Penalty will increase by the rate of inflation going forward | or 2.5% of your income (whichever is greater)

• If you’re uninsured for just part of the year, 1/12 of the yearly penalty applies to each month you’re uninsured.

• The penalty is based on your families [**modified adjusted gross income**](http://obamacarefacts.com/insurance-exchange/calculating-tax-credits.php) and is paid on your federal income taxes.

• The total penalty for the taxable year cannot exceed the national average of the annual premiums of a bronze-level health insurance plan offered through the health insurance marketplaces.

• The maximum penalty per family is capped at no more than 300% of the minimum penalty (e.g. $695 x 300% = $2,085).

• Children under 18 are assessed at 50% of the minimum penalty.

• The penalty is pro-rated for the number of months you are without health insurance, though there is no penalty for a single gap in coverage of less than 3 months in a year.

• Health insurance plans will provide proof of coverage for their customers so as long as you have health insurance you don't have to worry about the details.

**The Latest Date You Can Sign Up For ObamaCare**

You'll need to sign up for ObamaCare before the end of open enrollment each year or qualify for an [**extension**](http://obamacarefacts.com/obamacare-extension.php) or [**exemption**](http://obamacarefacts.com/obamacare-mandate-exemption-penalty.php).

If you enrolled in a health insurance plan through the Marketplace before March 31, 2014, you won’t have to make the payment for any month before your coverage began.

Marketplace coverage always starts on the first day of a month, and to qualify you must have enrolled by the 15th day of the previous month.

For example, if you enroll in a Marketplace plan on March 31 your coverage begins on May 1. If you didn't have coverage earlier in the year, you won’t have to pay a penalty for any of the previous months of 2014.

If you missed open enrollment you'll need to wait until the next enrollment period to use the marketplace.

**The Shared Responsibility Provision**

The individual mandate is officially called a "shared responsibility fee" and it is part of something called the individual shared responsibility provision. Here is the official definition of the provision:

The federal government, state governments, insurers, employers and individuals are given shared responsibility to reform and improve the availability, quality and affordability of health insurance coverage in the United States. Starting in 2014, the individual shared responsibility provision calls for each individual to have minimum essential health coverage (known as minimum essential coverage) for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return.

**What is Minimum Essential Coverage?**

In order to avoid the mandate you'll have to obtain "minimum essential coverage". Basically this includes all Government and job based insurance and most private insurance. As a rule of thumb if you have insurance already you don't have to worry about the mandate.

**Minimum essential coverage includes the following:**

* Employer-sponsored coverage (including COBRA coverage and retiree coverage)
* Coverage purchased in the individual market, including a qualified health plan offered by the Health Insurance Marketplace (also known as an Affordable Insurance Exchange)
* Medicare Part A coverage and Medicare Advantage plans
* Most Medicaid coverage
* Children's Health Insurance Program (CHIP) coverage
* Certain types of veterans health coverage administered by the Veterans Administration
* TRICARE
* Coverage provided to Peace Corps volunteers
* Coverage under the Non-appropriated Fund Health Benefit Program
* Refugee Medical Assistance supported by the Administration for Children and Families
* Self-funded health coverage offered to students by universities for plan or policy years that begin on or before Dec. 31, 2014 (for later plan or policy years, sponsors of these programs may apply to HHS to be recognized as minimum essential coverage)
* State high risk pools for plan or policy years that begin on or before Dec. 31, 2014 (for later plan or policy years, sponsors of these program may apply to HHS to be recognized as minimum essential coverage)

**What Doesn't Count As Minimum Essential Coverage?**

Minimum essential coverage does not include coverage providing only limited benefits, such as coverage only for vision care or dental care, and Medicaid covering only certain benefits such as family planning, workers' compensation, or disability policies.

Most insurance types offered between each years open enrollment will be short term health insurance, fixed benefit plans and supplemental insurance **will not help you avoid the fee** on their own, although they will help you be covered health-wise.

Not sure if your plan will help you avoid the fee? Simply ask your insurer whether or not your plan is "ACA compliant" or counts as "minimum essential coverage".

**Subsidized Insurance: ObamaCare Subsidies**

The best way to avoid the fee for many Americans will be to buy health insurance through their State's marketplace using ObamaCare Subsidies. Subsidies are only offered through the marketplace and help reduce premium costs and lower out-of-pocket expenses. ObamaCare's subsidies are aimed at people with incomes between 139% to 400% of the FPL ([federal poverty level](http://obamacarefacts.com/federal-poverty-level.php)). The current 139% FPL, which changes each year, is $23,050 for a family of four and the 400% FPL is $92,200. Families who fall make between 139% and 400% FPL will be eligible for subsidies, although those making more will get considerably less cost assistance. Subsidies are given as refundable tax credits.

For more information and/or Questions:

Contact: Richard Garner E.A.

Ph. 623-500-2654