



# COMPLIANCE CONNECTION

ACA Affordability Threshold

## 2025 ACA Affordability Threshold Increased to 9.02%

The IRS announced a higher ACA affordability percentage for 2025 (9.02%) than for 2024 (8.39%). Applying the 2025 federal poverty guidelines, this means that the maximum monthly premium which will satisfy the ACA federal poverty level safe harbor in 2025 is \$113.20 (up from \$101.93 in 2024).

Since employers don't know their employees' household incomes, the following three safe harbors were put in place by the ACA to be used in lieu of household income:

### 1 Form W-2 Wages Safe Harbor

The employee's W-2 wages, as reported in Box 1, as of the first day of the plan year.

Example: Under the W-2 Wages Safe Harbor, in 2025, if an employee's Box 1 wages are \$30,000 then that employee's required monthly contribution for the lowest individual coverage that meets minimum value can be no more than \$225.50 ( $\$30,000 \times .0902$  divided by 12) for the offer to be considered "affordable." This calculation assumes the employee was employed with the company for the entire year and offered coverage for all 12 months.

Note: If an employee is not employed for the entire year or there is a waiting period, an adjustment is made to the W-2 wages to account for this as follows:  $W-2 \text{ wages} \times (\text{calendar months offered coverage} / \text{months of employment})$ .

### 2 Rate of Pay Safe Harbor

The employee's hourly rate of pay x 130 hours, as of the first day of the plan year, regardless of how many hours the employee actually worked.

Example: Under the Rate of Pay Safe Harbor, in 2025, if an hourly employee earns \$16 an hour then that employee's required monthly contribution for the lowest individual coverage that meets minimum value can be no more than \$187.61 ( $\$16 \times 130 \times .0902$ ) for the offer to be considered "affordable."

### 3 Federal Poverty Level Safe Harbor

Since the individual Federal Poverty Level (FPL) isn't officially published until January, employers can use the FPL in effect six months prior to the beginning of the plan year.

Example: Under the Federal Poverty Level Safe Harbor, for January 2025, the maximum monthly employee contribution for the lowest individual coverage offered that meets minimum value can be no more than \$113.20 to be considered "affordable" ( $\$15,060$  (2024 FPL)  $\times .0902$  divided by 12).

Currently, meeting affordability applies only to applicable large employers (ALE's) under the Employer Shared Responsibility Provisions of the ACA. [Click here](#) for more information on Employer Shared Responsibility.

We are here to help you and your clients determine affordability compliance.  
Contact your Employee Benefits Consultant for more information.

Sue Ellen Martino • JMG Insurance Corp • 203-721-8515 • [smartino@jmg.com](mailto:smartino@jmg.com) • [www.jmg.com](http://www.jmg.com)