

# Federal Fine for Not Having Health Insurance

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July 31, 2018 | 2018-R-0193

## Issue

What is the federal fine for not having health insurance as required by the Affordable Care Act (ACA) (P.L. 111-148, as amended)? How many Connecticut residents have paid this federal fine?

## Summary

Beginning in January 2014, the ACA requires most individuals to maintain health insurance. Currently, those who do not comply with the requirement must pay a penalty called the “individual shared responsibility payment.” The penalty amount, described below, increased over time, and certain individuals are exempt from paying it. Beginning January 1, 2019, the federal Tax Cuts and Jobs Act (P.L. 115-97 § 11081) eliminates the penalty.

We obtained the number of Connecticut residents that have paid this federal penalty from Internal Revenue Service (IRS) data. However, the most recent data available is for 2015. Therefore, we provide Connecticut-specific data for only the 2014 and 2015 tax years, as shown in Table 1. The number of Connecticut residents paying the penalty declined between 2014 and 2015 while the total amount paid increased. This result is because the penalty amount increased year over year.

**Table 1: Individual Shared Responsibility Payment by Connecticut Tax Filers, 2014-2015**

Tax Year	Number of CT Filers Subject to Payment	Total Amount Paid
2014	57,000	\$13,554,000
2015	54,700	\$24,697,000

Source: Office of Fiscal Analysis; IRS Statistics of Income publications: <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.



# Federal Individual Mandate and Penalties

## *Individual Mandate*

The ACA requires most individuals, with some exceptions, to maintain a minimum level of health insurance (i.e., individual mandate) (26 U.S.C.A. § 5000A). People exempt from the individual mandate include those who have a qualifying religious exemption, are not in the United States lawfully, or are incarcerated.

## *Penalties*

People who do not comply with the individual mandate must pay, until January 1, 2019, a penalty through their federal taxes unless they are exempted (see below). The penalty is calculated as the greater of either (1) a percentage of the amount by which household income exceeds the personal exemption for the applicable tax year or (2) a flat dollar amount assessed on each taxpayer and dependent, with a family's total penalty capped at 300% of the flat dollar amount.

The percentage amount is 1% in 2014, 2% in 2015, and 2.5% in 2016 and each year after until 2019. The flat dollar amount is \$95 in 2014, \$325 in 2015, and \$695 for 2016 and each year after until 2019, adjusted for inflation. The flat dollar amount is reduced by one-half for dependents under age 18. Furthermore, the penalty cannot exceed the national average premium for a bronze-level qualified health plan.

If a tax filer does not pay a required penalty, the IRS collects the funds due by reducing the amount of any future tax refunds.

## *People Exempt from the Penalties*

Under the ACA, no penalty is imposed on:

1. a person whose insurance premium contribution exceeds 8% of household income,
2. a person who goes without insurance coverage for less than 90 days in a year,
3. members of Indian tribes whose household income is less than the personal exemption amount for the applicable taxable year, and
4. anyone who the health and human services secretary determines to have had a hardship obtaining insurance.

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