



## Federal and State Individual Mandate Penalties

### Individual Mandate Penalty under Federal Law

People who do not comply with the federal individual mandate must pay, until January 1, 2019, a penalty through their federal tax returns unless they are exempted.

The penalty is the greater of (1) a percentage of household income in excess of 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 amount. Currently, the amounts are 2.5% and \$695 (\$347.50 for children), respectively. Further, the penalty cannot exceed the national average premium for a bronze-level qualified health plan.

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 U.S. Health and Human Services secretary determines to have had a hardship obtaining insurance.

### State-Level Individual Mandates

Massachusetts enacted an individual mandate in 2006 that includes a penalty. In the wake of the federal penalty being eliminated, New Jersey and Vermont each enacted a mandate that will take effect in 2019 and 2020, respectively. Connecticut considered but has not passed a mandate. (See below for discussion.)

### Federal Individual Mandate

Since January 2014, the federal Affordable Care Act (P.L. 111-148, as amended) imposes a penalty on people who fail to maintain a minimum level of health insurance, a requirement generally referred to as the individual mandate. People exempt from the federal individual mandate include those who have a qualifying religious exemption, are not in the United States lawfully, or are incarcerated (26 U.S.C.A. § 5000A). Effective January 1, 2019, the federal Tax Cuts and Jobs Act (P.L. 115-97 § 11081) eliminates the penalty, the mandate's enforcement mechanism.

## The Massachusetts Individual Mandate and Penalty

In 2006, Massachusetts enacted a comprehensive package of health care reforms, including an individual mandate (see Mass. Gen. Laws Chapters [111M](#) and [176Q](#)). Massachusetts requires all adult residents (i.e., those age 18 or over) to maintain a minimum level of affordable health insurance coverage. Exemptions from the mandate are available for people with sincerely held religious beliefs or certain financial hardships.

A person who does not comply with the individual mandate requirement faces a penalty of up to 50% of the lowest cost health insurance plan available to the person through the Health Connector (i.e., the state's insurance exchange). But the penalty is not enforced against adults with incomes at or below 150% of the federal poverty level or those who have a gap in coverage of 63 days or less (in practice this is calculated as three or fewer months). Penalties owed are collected through income tax filings. Residents are allowed to deduct any federally imposed penalty from the state penalty owed to avoid duplication.

Also, if a person is not able to purchase affordable insurance and reports being uninsured, the state does not assess a penalty. The Health Connector's board of directors annually develops an affordability schedule to determine the cost at which health insurance is prohibitively expensive. The schedule generally defines affordability based on a percentage of household income to be spent on health insurance.

### New Jersey and Vermont

In 2018, New Jersey ([AB 3380](#)) and Vermont ([HB 696](#)) each enacted a law establishing a state-level individual mandate with related penalties, which are summarized below.

	New Jersey	Vermont
<b>Penalty</b>	Equal to the federal penalty in effect on December 15, 2017, but pegged to the state average premium for a bronze-level plan	Not specified; penalty or other enforcement mechanism to be recommended by working group and considered in 2019 legislative session
<b>Notification and Outreach</b>	State treasurer to notify uninsured taxpayers about coverage options	State to educate consumers on coverage options and mandate
<b>Effective Date</b>	January 1, 2019	January 1, 2020

### Connecticut

In 2018, Connecticut's Insurance and Real Estate Committee considered two bills, each of which would have established an individual mandate requiring applicable individuals to maintain minimum essential health insurance coverage or face a penalty ([HB 5039](#) and [HB 5379](#)).

The committee held a public hearing on both bills, but neither individual mandate provision advanced out of committee.

**Learn  
More**

OLR Report [2018-R-0193](#): Federal Fine for Not Having Health Insurance

[Massachusetts Individual Mandate Report](#) (November 2017)

The Commonwealth Fund: [State Efforts to Pass Individual Mandate Requirements Aim to Stabilize Markets and Protect Consumers](#) (June 14, 2018)

