

includes more than one short coverage gap, the exemption provided by this paragraph (j) only applies to the earliest short coverage gap.

(3) *Continuous period*—(i) *In general.* Except as provided in paragraph (j)(3)(ii) of this section, the number of months included in a continuous period is determined without regard to the calendar years in which months included in that period occur. For purposes of paragraph (j) of this section, a continuous period begins no earlier than January 1, 2014.

(ii) *Continuous period straddling more than one taxable year.* If an individual does not have minimum essential coverage for a continuous period that begins in one taxable year and ends in the next, for purposes of applying this paragraph (j) to the first taxable year, the months in the second taxable year included in the continuous period are disregarded. For purposes of applying this paragraph (j) to the second taxable year, the months in the first taxable year included in the continuous period are taken into account.

(4) *Examples.* The following examples illustrate the provisions of this paragraph (j). Unless stated otherwise, in each example the taxpayer's taxable year is a calendar year and the taxpayer is ineligible for any of the exemptions described in paragraphs (a) through (h) of this section for a month.

Example 1. Short coverage gap. Taxpayer D has minimum essential coverage in 2016 from January 1 through March 2. After March 2, D does not have minimum essential coverage until D enrolls in an eligible employer-sponsored plan effective June 15. Under § 1.5000A-1(b), for purposes of section 5000A, D has minimum essential coverage for January, February, March, and June through December. D's continuous period without coverage is 2 months, April and May. April and May constitute a short coverage gap under paragraph (j)(2)(i) of this section.

Example 2. Continuous period of 3 months or more. The facts are the same as in *Example 1*, except D's coverage is not effective until July 1. D's continuous period without coverage is 3 months, April, May, and June. Under paragraph (j)(2)(i) of this section, April, May, and June are not included in a short coverage gap.

Example 3. Short coverage gap following exempt period. Taxpayer E is incarcerated from January 1 through June 2. E enrolls in an eligible employer-sponsored plan effective September 15. Under paragraph (d) of this sec-

tion, E is exempt for the period January through June. Under paragraph (j)(2)(i) of this section, E is treated as having minimum essential coverage for this period, and E's continuous period without minimum essential coverage is 2 months, July and August. July and August constitute a short coverage gap under paragraph (j)(2)(i) of this section.

Example 4. Continuous period covering more than one taxable year. Taxpayer F, an unmarried individual with no dependents, has minimum essential coverage for the period January 1 through October 15, 2016. F is without coverage until February 15, 2017. F files his Federal income tax return for 2016 on March 10, 2017. Under paragraph (j)(3)(ii) of this section, November and December of 2016 are treated as a short coverage gap. However, November and December of 2016 are included in the continuous period that includes January 2017. The continuous period for 2017 is not less than 3 months and, therefore, January is not a part of a short coverage gap.

Example 5. Enrollment following loss of coverage. The facts are the same as in *Example 4* except F loses coverage on June 15, 2017. F enrolls in minimum essential coverage effective September 15, 2017. The continuous period without minimum essential coverage in July and August of 2017 is two months and, therefore, is a short coverage gap. Because January 2017 was not part of a short coverage gap, the earliest short coverage gap occurring in 2017 is the gap that includes July and August.

Example 6. Multiple coverage gaps. (i) The facts are the same as in *Example 5* except F has minimum essential coverage for November 2016. Under paragraph (j)(3)(ii) of this section, December 2016 is treated as a short coverage gap.

(ii) December 2016 is included in the continuous period that includes January 2017. This continuous period is two months and, therefore, January 2017 is the earliest month in 2017 that is included in a short coverage gap. Under paragraph (j)(2)(iii) of this section, the exemption under this paragraph (j) applies only to January 2017. Thus, the continuous period without minimum essential coverage in July and August of 2017 is not a short coverage gap.

[T.D. 9632, 78 FR 53655, Aug. 30, 2013, as amended at 78 FR 78255, Dec. 26, 2013]

§ 1.5000A-4 Computation of shared responsibility payment.

(a) *In general.* For each taxable year the shared responsibility payment is the lesser of—

(1) The sum of the monthly penalty amounts for each individual in the shared responsibility family; or

§ 1.5000A-4

26 CFR Ch. I (4-1-14 Edition)

(2) The sum of the monthly national average bronze plan premiums for the shared responsibility family.

(b) *Monthly penalty amount*—(1) *In general.* *Monthly penalty amount* means, for a month that a nonexempt individual is not covered under minimum essential coverage, $1/12$ multiplied by the greater of—

- (i) The flat dollar amount; or
- (ii) The excess income amount.

(2) *Flat dollar amount*—(i) *In general.* *Flat dollar amount* means the lesser of—

(A) The sum of the applicable dollar amounts for all individuals included in the taxpayer's shared responsibility family; or

(B) 300 percent of the applicable dollar amount (determined without regard to paragraph (b)(2)(iii) of this section) for the calendar year with or within which the taxable year ends.

(ii) *Applicable dollar amount.* Except as provided in paragraphs (b)(2)(iii) and (b)(2)(iv) of this section, the applicable dollar amount is—

- (A) \$95 in 2014;
- (B) \$325 in 2015; or
- (C) \$695 in 2016.

(iii) *Special applicable dollar amount for individuals under age 18.* If an individual has not attained the age of 18 before the first day of a month, the applicable dollar amount for the individual is equal to one-half of the applicable dollar amount (as expressed in paragraph (b)(2)(ii) of this section) for the calendar year in which the month occurs. For purposes of this paragraph (b)(2)(iii), an individual attains the age of 18 on the anniversary of the date when the individual was born. For example, an individual born on March 1, 1999, attains the age of 18 on March 1, 2017.

(iv) *Indexing of applicable dollar amount.* In any calendar year after 2016, the applicable dollar amount is \$695 as increased by the product of \$695 and the cost-of-living adjustment determined under section 1(f)(3) for the calendar year. For purposes of this paragraph (b)(2)(iv), the cost-of-living adjustment is determined by substituting "calendar year 2015" for "calendar year 1992" in section 1(f)(3)(B). If any increase under this paragraph (b)(2)(iv) is not a multiple of \$50, the increase is

rounded down to the next lowest multiple of \$50.

(3) *Excess income amount*—(i) *In general.* *Excess income amount* means the product of—

(A) The excess of the taxpayer's household income over the taxpayer's applicable filing threshold (as defined in § 1.5000A-3(f)(2)); and

(B) The income percentage.

(ii) *Income percentage.* For purposes of this section, *income percentage* means—

(A) 1.0 percent for taxable years beginning in 2013;

(B) 1.0 percent for taxable years beginning in 2014;

(C) 2.0 percent for taxable years beginning in 2015; or

(D) 2.5 percent for taxable years beginning after 2015.

(c) *Monthly national average bronze plan premium.* *Monthly national average bronze plan premium* means, for a month for which a shared responsibility payment is imposed, $1/12$ of the annual national average premium for qualified health plans that have a bronze level of coverage, would provide coverage for the taxpayer's shared responsibility family members who do not have minimum essential coverage for the month, and are offered through Exchanges for plan years beginning in the calendar year with or within which the taxable year ends.

(d) *Examples.* The following examples illustrate the provisions of this section. In each example the taxpayer's taxable year is a calendar year and all members of the taxpayer's shared responsibility family are ineligible for any of the exemptions described in § 1.5000A-3 for a month.

Example 1. Unmarried taxpayer without minimum essential coverage. (i) In 2016, Taxpayer G is an unmarried individual with no dependents. G does not have minimum essential coverage for any month in 2016. G's household income is \$120,000. G's applicable filing threshold is \$12,000. The annual national average bronze plan premium for G is \$5,000.

(ii) For each month in 2016, under paragraph (b)(2)(ii) of this section, G's applicable dollar amount is \$695. Under paragraph (b)(2)(i) of this section, G's flat dollar amount is \$695 (the lesser of \$695 and $2.085 (\$695 \times 3)$). Under paragraph (b)(3) of this section, G's excess income amount is \$2,700 ($(\$120,000 - \$12,000) \times 0.025$). Therefore, under paragraph (b)(1) of this section, the monthly

penalty amount is \$225 (the greater of \$58 (\$695/12) or \$225 (\$2,700/12)).

(iii) The sum of the monthly penalty amounts is \$2,700 (\$225 × 12). The sum of the monthly national average bronze plan premiums is \$5,000 (\$5,000/12 × 12). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on G for 2016 is \$2,700 (the lesser of \$2,700 or \$5,000).

Example 2. Part-year coverage. The facts are the same as in *Example 1*, except G has minimum essential coverage for January through June. The sum of the monthly penalty amounts is \$1,350 (\$225 × 6). The sum of the monthly national average bronze plan premiums is \$2,500 (\$5,000/12 × 6). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on G for 2016 is \$1,350 (the lesser of \$1,350 or \$2,500).

Example 3. Family without minimum essential coverage. (i) In 2016, Taxpayers H and J are married and file a joint return. H and J have three children: K, age 21, L, age 15, and M, age 10. No member of the family has minimum essential coverage for any month in 2016. H and J's household income is \$250,000. H and J's applicable filing threshold is \$24,000. The annual national average bronze plan premium for a family of 5 (3 adults, 2 children) is \$15,000.

(ii) For each month in 2016, under paragraphs (b)(2)(ii) and (b)(2)(iii) of this section, the applicable dollar amount is \$2,780 (((\$695 × 3 adults) + ((\$695/2) × 2 children)). Under paragraph (b)(2)(i) of this section, the flat dollar amount is \$2,085 (the lesser of \$2,780 and \$2,085 (\$695 × 3)). Under paragraph (b)(3) of this section, the excess income amount is \$5,650 ((\$250,000 - \$24,000) × 0.025). Therefore, under paragraph (b)(1) of this section, the monthly penalty amount is \$470.83 (the greater of \$173.75 (\$2,085/12) or \$470.83 (\$5,650/12)).

(iii) The sum of the monthly penalty amounts is \$5,650 (\$470.83 × 12). The sum of the monthly national average bronze plan premiums is \$15,000 (\$15,000/12 × 12). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on H and J for 2016 is \$5,650 (the lesser of \$5,650 or \$15,000).

Example 4. Change in shared responsibility family during the year. (i) The facts are the same as in *Example 3*, except J has minimum essential coverage for January through June. The annual national average bronze plan premium for a family of 4 (2 adults, 2 children) is \$10,000.

(ii) For the period January through June 2016, under paragraphs (b)(2)(ii) and (b)(2)(iii) of this section the applicable dollar amount is \$2,085 (((\$695 × 2 adults) + ((\$695/2) × 2 children)). Under paragraph (b)(2)(i) of this section, the flat dollar amount is \$2,085 (the lesser of \$2,085 or \$2,085 (\$695 × 3)).

(iii) For the period July through December 2016, the applicable dollar amount is \$2,780

(((\$695 × 3 adults) + ((\$695/2) × 2 children)). Under paragraph (b)(2) of this section, the flat dollar amount is \$2,085 (the lesser of \$2,780 or \$2,085 (\$695 × 3)). Under paragraph (b)(3) of this section, the excess income amount is \$5,650 ((\$250,000 - \$24,000) × 0.025). Therefore, under paragraph (b)(1) of this section, for January through June the monthly penalty amount is \$470.83 (the greater of \$173.75 (\$2,085/12) or \$470.83 (\$5,650/12)). The monthly penalty amount for July through December is \$470.83 (the greater of \$173.75 (\$2,085/12) or \$470.83 (\$5,650/12)).

(iv) The sum of the monthly penalty amounts is \$5,650 (\$470.83 × 12). The sum of the monthly national average bronze plan premiums is \$12,500 ((((\$10,000/12) × 6) + ((\$15,000/12) × 6))). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on H and J for 2016 is \$5,650 (the lesser of \$5,650 or \$12,500).

Example 5. Eighteenth birthday during the year. (i) In 2016 Taxpayers S and T are married and file a joint return. S and T have one child, U, who turns 18 years old on June 28. S, T, and U do not enroll in, and as a result are not eligible to receive benefits under, affordable employer-sponsored coverage offered by T's employer for 2016. S and T's household income is \$60,000. S and T's applicable filing threshold is \$24,000. The annual national average bronze plan premium for a family of 3 (2 adults, 1 child) is \$11,000.

(ii) For the period January through June 2016, under paragraphs (b)(2)(ii) and (b)(2)(iii) of this section, the applicable dollar amount is \$1,737.50 (((\$695 × 2 adults) + (\$695/2) × 1 child)). Under paragraph (b)(2) of this section, the flat dollar amount is \$1,737.50 (the lesser of \$1,737.50 or \$2,085 (\$695 × 3)).

(iii) For the period July through December 2016, the applicable dollar amount is \$2,085 (\$695 × 3). Under paragraph (b)(2)(i) of this section, the flat dollar amount is \$2,085 (the lesser of \$2,085 or \$2,085 (\$695 × 3)). Under paragraph (b)(3) of this section, the excess income amount is \$900 ((\$60,000 - \$24,000) × 0.025). Therefore, under paragraph (b)(1) of this section, for January through June the monthly penalty amount is \$144.79 (the greater of \$144.79 (\$1,737.50/12) or \$75 (\$900/12)). The monthly penalty amount for July through December is \$173.75 (the greater of \$173.75 (\$2,085/12) or \$75 (\$900/12)).

(iv) The sum of the monthly penalty amounts is \$1,911.24 ((\$144.79 × 6) + (\$173.75 × 6)). The sum of the monthly national average bronze plan premiums is \$11,000 (\$11,000/12 × 12). Therefore, under paragraph (a) of this section, the shared responsibility payment imposed on S and T for 2016 is \$1,911.24 (the lesser of \$1,911.24 or \$11,000).

[T.D. 9632, 78 FR 53655, Aug. 30, 2013, as amended at 78 FR 78255, Dec. 26, 2013]