

CONGRESSIONAL BUDGET OFFICE

Payments of Penalties for Being Uninsured Under the Patient Protection and Affordable Care Act

April 22, 2010

Beginning in 2014, the Patient Protection and Affordable Care Act (Public Law 111-148), in combination with the Health Care and the Education Reconciliation Act of 2010 (Public Law 111-152), requires most residents of the United States to obtain health insurance and imposes a financial penalty for being uninsured. That penalty will be the greater of a flat dollar amount per person that rises to \$695 in 2016 and is indexed by inflation thereafter (the penalty for children will be half that amount and an overall cap will apply to family payments) or a percentage of the household's income that rises to 2.5 percent for 2016 and subsequent years (also subject to a cap).

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) have estimated that about 21 million nonelderly residents will be uninsured in 2016, but the majority of them will not be subject to the penalty. Unauthorized immigrants, for example, are exempted from the mandate to obtain health insurance. Others will be subject to the mandate but exempted from the penalty—for example, because they will have income low enough that they are not required to file an income tax return, because they are members of Indian tribes, or because the premium they would have to pay would exceed a specified share of their income (initially 8 percent in 2014 and indexed over time). Individuals may also be granted waivers from the penalty because of hardship and may be exempted from the mandate on the basis of their religious beliefs.

Among those who are subject to the penalty, many will voluntarily report on their tax returns that they are uninsured and pay the amount owed. However, other individuals will try to avoid making payments. Therefore, the estimates presented here account for likely compliance rates, as well as the ability of the Internal Revenue Service (IRS) to administer and collect the penalty. In total, about 4 million people are projected to pay a penalty because they will be uninsured in 2016 (a figure that includes uninsured dependents who have the penalty paid on their behalf).

CBO and JCT estimate that total collections from those penalties will be about \$4 billion per year over the 2017–2019 period. The attached table shows the distribution of payments that are projected to be made for being uninsured in 2016 (which the IRS will actually collect in 2017) by income measured as a percentage of the federal poverty level (FPL). In general, households with lower income will pay the flat dollar penalty, and households with higher income will pay a percentage of their income. In 2016, households with income that exceeds 400 percent of the FPL are estimated to constitute about one-third of people paying penalties and to account for about two-thirds of the receipts from those penalties.

**Estimated Distribution of Individual Mandate Penalties
Under the Patient Protection and Affordable Care Act (PL 111-148)
Combined with the Health Care and Education Reconciliation Act (PL 111-152)**

4/22/2010

Calendar Year 2016

Adjusted Gross Income Relative to the Federal Poverty Level (FPL)	Individual Mandate Penalties			
	Total Payers (millions)	Share of Payers (%)	Total Payments (\$ billions)	Share of Payments (%)
Less than 100%	0.4	9	0.2	4
100% to 200%	0.6	16	0.3	7
200% to 300%	0.8	21	0.5	11
300% to 400%	0.7	18	0.5	13
400% to 500%	0.5	12	0.5	11
Greater than 500%	0.9	24	2.3	55
Total	3.9	100	4.2	100

Source: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes:

- a) Individual penalty payments are classified by the income of the tax return filing unit.
- b) In 2016, the FPL is projected to equal about \$11,800 for a single person and about \$24,000 for a family of four.
- c) Components may not sum to totals due to rounding.
- d) Liabilities incurred for being uninsured in calendar year 2016 would be paid in fiscal year 2017.
- e) Counts of payers include dependents who have payments made on their behalf.