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## Department of Revenue

[About DOR](#) Select   [Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#)> [Technical Information Releases](#) > [TIR 17-1: Individual Mandate Penalties for Tax Year 2017](#)

### TIR 17-1: Individual Mandate Penalties for Tax Year 2017

Pursuant to G.L. c. 111M, § 2, the Department of Revenue is issuing this Technical Information Release to announce the penalty schedule for individuals who fail to comply in 2017 with the requirements under the Massachusetts Health Care Reform Act (the Act). See St. 2006, c. 58, as amended. The Act requires most adults 18 and over with access to affordable health insurance to obtain it. In 2017, individuals must be enrolled in health insurance policies that meet minimum creditable coverage standards defined in regulations adopted by the Commonwealth Health Insurance Connector Authority (the Health Connector). Individuals who are deemed able to afford health insurance but fail to comply are subject to penalties for each month of non-compliance in the tax year (provided that there is no penalty in the case of a lapse in coverage of 63 consecutive days or less).<sup>[1]</sup> The penalties, which will be imposed through the individual's personal income tax return, shall not exceed 50% of the minimum monthly insurance premium for which an individual would have qualified through the Health Connector.<sup>[2]</sup>

These penalties apply *only* to adults who are deemed able to afford health insurance but who did not enroll in available coverage. On an annual basis, the Health Connector establishes separate standards that determine whether individuals, married couples and families can afford health insurance, based on their incomes and affordable health insurance premiums. Those who are not deemed able to afford health insurance pursuant to these standards will not be penalized. Individuals also have the opportunity to file appeals with the Health Connector asserting that hardship prevented them from purchasing health insurance (and therefore, they should not be subject to tax penalties).<sup>[3]</sup>

#### For 2017:

- Individuals with incomes less than or equal to 150% of the Federal Poverty Level are not subject to any penalty for non-compliance, as those at this income level are not required to pay an enrollee premium for ConnectorCare health insurance.
- Penalties for individuals with incomes from 150.1 to 300% of the Federal Poverty Level will be half of the lowest priced ConnectorCare enrollee premium that could be charged to an individual at the corresponding income level, based on the ConnectorCare enrollee premiums as of January 1, 2017.
- Penalties for individuals with incomes greater than 300% of the Federal Poverty Level will be:
  - *ages 18-30*: half of the lowest priced individual Catastrophic Plan offered through the Health Connector; and
  - *ages 31 and above*: half of the lowest priced individual Bronze premium, based on the Health Connector's prices for these plans as of January 1, 2017.
- Penalties for married couples who do not comply with the individual mandate rules (with or without children) will equal the sum of individual penalties for each spouse.
- **Interaction with Federal Health Care Shared Responsibility Payment.** Beginning January 1, 2014, the Affordable Care Act instituted a federal mandate instructing

individuals to obtain health insurance.<sup>[4]</sup> For tax years beginning on or after January 1, 2014, if a nonexempt individual fails to obtain health insurance meeting federal standards, the person is liable for a “shared responsibility payment” that must be reported on his or her federal income tax return.<sup>[5]</sup> To prevent assessing a taxpayer both a Massachusetts penalty and a federal penalty, the amount of any federal health care shared responsibility payment is allowed as a reduction of the Massachusetts health care penalty owed.<sup>[6]</sup>

Penalties for 2017					
Individual Income Category*	150.1-200% FPL	200.1-250% FPL	250.1-300% FPL	Above 300% FPL Age 18-30	Above 300%FPL Age 31+
Penalty	\$21/month \$252/year	\$41/month \$492/year	\$62/month \$744/year	\$74/month \$888/year	\$96/month \$1,152/year

\* Compare individual’s annual family household income to chart immediately below to determine applicable Federal Poverty Level (FPL).

\*\* Yearly penalty amounts listed above based on non-compliance for entire year.

Federal Poverty Level – Annual Income Standards

Family Size	150% FPL	200% FPL	250% FPL	300% FPL
1	\$17,820	\$23,760	\$29,700	\$35,640
2	\$24,030	\$32,040	\$40,050	\$48,060
3	\$30,240	\$40,320	\$50,400	\$60,480
4	\$36,450	\$48,600	\$60,750	\$72,900
5	\$42,660	\$56,880	\$71,100	\$85,320
6	\$48,870	\$65,160	\$81,450	\$97,740
7	\$55,095	\$73,460	\$91,825	\$110,190
8	\$61,335	\$81,780	\$102,225	\$122,670
For each additional person add	+\$6,240	+\$8,320	+\$10,400	+\$12,480

This schedule reflects the 2016 Federal Poverty Level standards (for 2017 eligibility).

/s/Michael J. Heffernan  
Michael J. Heffernan  
Commissioner of Revenue

MJH:RHF:wem

February 3, 2017

TIR 17-1

<sup>[1]</sup> Note that the Health Connector interprets 63 days to mean 3 calendar months. See

<https://www.mahealthconnector.org/wp-content/uploads/rules-and-regulations/AdminBulletin03-10.pdf>

[2] The monthly penalties apply to each month in which an individual lacks minimum creditable coverage (*i.e.*, lacks health insurance coverage altogether, or lacks health insurance coverage meeting minimum creditable coverage standards). For more information regarding the health care individual mandate and minimum creditable coverage, including exceptions from the mandate and appeal rights of taxpayers in connection with the penalty under G.L. c. 111M, § 2, see Department of Revenue regulation 830 CMR 111M2.1: Health Insurance Individual Mandate; Personal Income Tax Return Requirements, and Health Connector regulations 956 CMR 6.00: Determining Affordability for the Individual Mandate and 956 CMR 5.00: Minimum Creditable Coverage.

[3] See Health Connector regulation 956 CMR 6.00: Determining Affordability for the Individual Mandate. The Affordability and Premium Schedules contained in the Massachusetts personal income tax forms are adopted by the Board of the Health Connector pursuant to 956 CMR 6.05.

[4] The Affordable Care Act is the Patient Protection and Affordable Care Act, Public Law 111-148, and the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, as amended.

[5] See U.S. Treas. Reg. § 1.5000A

[6] See section 5 of 830 CMR 111M2.1: Health Insurance Individual Mandate; Personal Income Tax Return Requirements.

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