STATE OF CALIFORNIA
Franchise Tax Board

Health Care Minimum Essential Coverage Individual Mandate Report

Economic and Statistical Research Bureau

Purpose

This report is intended to fulfill the Franchise Tax Board's obligation under the Revenue and Taxation Code (RTC) Section 61050 to annually report by March 1, to the Legislature, and under the RTC Code Section 61045 to report annually on its internet website, the total number of applicable households paying the penalty, the total penalty amounts imposed, the number and amount of state financial subsidies paid and adjustments made through reconciliation, and the number and amount of penalties collected under subdivision (j) of Section 61005.

Prepared by the Staff of the
Franchise Tax Board
STATE OF CALIFORNIA

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Background

Chapter 38 of the Statutes of 2019 (SB 78) created the Minimum Essential Coverage Individual Mandate (mandate), a program similar to the Individual Shared Responsibility Payment administered by the Internal Revenue Service prior to December 31, 2018. Beginning on January 1, 2020, California residents and their dependents were required to obtain and maintain minimum essential coverage, unless they qualified for an exemption from the mandate.

Pursuant to Part 32 (commencing with Section 61000) of the RTC, if an individual is required to obtain minimum essential coverage (MEC) under the mandate and does not obtain and maintain health care coverage or obtain an exemption, an Individual Shared Responsibility Penalty (Penalty) will be imposed, per uninsured person for each month they do not maintain minimum essential coverage.

When the individual files their California income tax return, the taxpayer verifies if the members of their household either had an exemption or maintained MEC during the previous year. For those members of the household who did not have an exemption or did not maintain MEC for each month of the previous calendar year, a penalty is computed and paid.

In addition, individuals and households may be eligible to receive a premium assistance subsidy (subsidy) from the California Health Benefit Exchange (Exchange), also known as Covered California, to supplement the cost of purchasing insurance. Using the individual's projected income, they can apply to the Exchange for an advanced premium assistance subsidy (advanced subsidy). At the end of each year, when the taxpayer files their California income tax return, they reconcile the advanced subsidies received based on projected income against the subsidies they were allowed based on their actual income.

On March 11, 2021, in response to COVID-19, President Biden signed the American Rescue Plan Act of 2021 (ARPA). ARPA established a two-year enhanced federal premium subsidy for individuals and households with income at or below 600 percent of the federal poverty level. As a result, the establishment of the enhanced federal premium subsidy reduced eligibility to zero for nearly all taxpayers in the California Premium Subsidy Program.

Franchise Tax Board Statutory Reporting Requirements

Under Chapter 801 of the Statutes of 2019 (AB 414), the Franchise Tax Board (FTB) is required to provide an annual report to the Legislature, no later than March 1, which includes:

- The total number of households paying the Penalty and the total number of dependents reported, by county and by adjusted gross income class.

- The total Penalty amounts imposed statewide, by county, and by adjusted gross income class.
- The total statewide Penalty amount imposed.
- The number and type of exemptions applied, and the most commonly claimed exemptions.
- The number of applicable households who pay the Penalty and the number of dependents claimed, by federal poverty level category.
- The number and amount of state financial subsidies paid and adjustments made through reconciliation, by county and by federal poverty level category.

Under Chapter 38 of the Statutes of 2019 (AB 78), the FTB is required to publish an annual report on its website which includes:

- The total number of applicable households paying the Penalty and the average penalty amount by applicable household income level.
- The number of applicable households paying the Penalty by county and statewide.
- The total Penalty amount collected.
- The number and type of the most commonly claimed exemptions.
- The number and total penalty amounts collected under subdivision (j) of Section 61005, the failure to report Penalty.

Data

The March 1, 2024, Health Care Minimum Essential Coverage Individual Mandate Penalty Report includes timely filed and processed return data available as of September 30, 2023.

Beginning in taxable year 2020, California residents were required to maintain MEC. For each month that a member of the household does not maintain MEC a penalty is applied. Table 1 contains the total number households that owed the Penalty and the amount assessed during the most recent return processing season. The amount of and number of penalties issued decreased by about 25 percent when compared to the 2022 process year.

Table 1: Process Year 2023 Individual Shared Responsibility Penalty Assessed**

Variables	Count	Assessed Amount	Average (Mean)	Median
Individual Shared Responsibility Penalty Assessed	200,999	$222,572,381	$1,107	$850

** Returns Processed through September 30, 2023.

Five counties (Los Angeles, Orange, Riverside, San Bernardino, and San Diego) represented just over 50 percent of the penalties imposed, Los Angeles County being the largest. Table 2 contains the total number of applicable households reporting the penalty, the penalty amount assessed, and the total number of dependents reported by county.

Table 2: Process Year 2023 Individual Shared Responsibility Penalty Assessed**

County	Assessed Count	Assessed Amount	Number of Dependents
ALAMEDA	6,655	$7,873,364	1,825
ALPINE	*	*	*
AMADOR	175	$173,985	60
BUTTE	1,031	$964,564	309
CALAVERAS	223	$257,626	79
COLUSA	189	$162,372	97
CONTRA COSTA	3,872	$4,751,983	1,277
DEL NORTE	142	$125,352	57
EL DORADO	760	$878,512	228
FRESNO	4,000	$3,861,174	1,200
GLENN	184	$169,835	101
HUMBOLDT	802	$744,529	221
IMPERIAL	1,028	$1,073,498	565
INYO	111	$100,791	32
KERN	3,108	$3,095,128	1,280
KINGS	507	$481,496	260
LAKE	324	$292,129	85
LASSEN	72	$79,061	21
LOS ANGELES	50,931	$54,120,516	13,954
MADERA	553	$567,465	266
MARIN	958	$1,519,389	337
MARIPOSA	77	$62,083	*
MENDOCINO	614	$630,136	196
MERCED	1,126	$1,037,234	577
MODOC	26	$21,374	16
MONO	146	$156,707	39
MONTEREY	1,968	$2,014,138	672
NAPA	682	$710,095	278
NEVADA	478	$498,883	168
ORANGE	16,297	$17,941,839	5,344
PLACER	1,565	$1,833,621	515
PLUMAS	128	$135,352	23
RIVERSIDE	13,072	$13,511,996	5,719
SACRAMENTO	6,448	$6,341,233	1,834

County	Assessed Count	Assessed Amount	Number of Dependents
SAN BENITO	348	$341,943	204
SAN BERNARDINO	11,104	$11,045,395	4,784
SAN DIEGO	19,687	$20,633,024	6,893
SAN FRANCISCO	4,019	$4,977,259	582
SAN JOAQUIN	3,348	$3,246,097	1,388
SAN LUIS OBISPO	1,559	$1,642,515	507
SAN MATEO	3,196	$4,136,251	897
SANTA BARBARA	2,392	$2,618,057	921
SANTA CLARA	8,077	$10,005,589	2,148
SANTA CRUZ	1,158	$1,313,296	281
SHASTA	1,335	$1,285,231	532
SIERRA	*	*	*
SISKIYOU	232	$222,407	71
SOLANO	1,739	$1,764,534	501
SONOMA	2,622	$2,614,648	969
STANISLAUS	2,165	$2,098,888	890
SUTTER	441	$443,817	150
TEHAMA	283	$259,577	101
TRINITY	53	$60,725	18
TULARE	1,602	$1,570,284	617
TUOLUMNE	245	$240,274	56
VENTURA	4,655	$5,049,115	1,813
YOLO	807	$818,108	219
YUBA	340	$313,461	127
OTHER* **	11,326	$19,667,181	3,223
Total	**200,999**	**$222,572,381**	**65,538**

* This data cannot be disclosed because the number of returns is too small under state privacy rules.
** Returns Processed through September 30, 2023.
***Includes resident taxpayers who filed using an out of state address.

Table 3 contains the total number of applicable households that reported the penalty, the total number of dependents for whom applicable households owed the penalty, and the total penalty amounts assessed by adjusted gross income.

Table 3: Process Year 2023 Individual Shared Responsibility Penalty Assessed by AGI**

AGI Class***	Assessed Count	Assessed Amount	Average Penalty	Number of Dependents
$ NEGATIVE	*	*	*	*
$0 TO $9,999	160	$148,757	$930	32

AGI Class***	Assessed Count	Assessed Amount	Average Penalty	Number of Dependents
$10,000 TO $19,999	522	$412,658	$791	58
$20,000 TO $29,999	30,626	$19,845,178	$648	85
$30,000 TO $39,999	35,188	$23,173,643	$659	2,086
$40,000 TO $49,999	30,096	$21,257,031	$706	4,849
$50,000 TO $59,999	23,050	$17,889,637	$776	6,189
$60,000 TO $69,999	17,526	$16,417,691	$937	7,322
$70,000 TO $79,999	13,630	$14,535,473	$1,066	8,590
$80,000 TO $89,999	10,017	$11,933,299	$1,191	6,920
$90,000 TO $99,999	7,580	$9,917,818	$1,308	5,590
$100,000 TO $124,999	11,495	$17,695,727	$1,539	8,705
$125,000 TO $149,999	5,955	$11,699,068	$1,965	4,353
$150,000 TO $174,999	3,576	$8,490,944	$2,374	2,603
$175,000 TO $199,999	2,298	$6,316,052	$2,748	1,641
$200,000 TO $249,999	2,785	$9,142,576	$3,283	1,893
$250,000 TO $299,999	1,579	$6,066,408	$3,842	1,074
$300,000 TO $349,999	954	$4,144,177	$4,344	641
$350,000 TO $399,999	699	$3,438,776	$4,920	507
$400,000 TO $449,999	499	$2,539,071	$5,088	336
$450,000 TO $499,999	394	$2,205,678	$5,598	272
$500,000 TO $599,999	551	$3,222,930	$5,849	416
$600,000 TO $699,999	326	$2,152,992	$6,604	312
$700,000 TO $799,999	243	$1,512,008	$6,222	131
$800,000 TO $899,999	167	$1,096,641	$6,567	135
$900,000 TO $999,999	124	$771,316	$6,220	77
$1,000,000 TO $1,999,999	516	$3,656,259	$7,086	410
$2,000,000 TO $2,999,999	143	$915,794	$6,404	98
$3,000,000 TO $3,999,999	62	$418,686	$6,753	44
$4,000,000 TO $4,999,999	*	*	*	*
$5,000,000 TO $HIGH	187	$1,329,913	$7,112	139
Total	**200,999**	**$222,572,381**	**$1,107**	**65,538**

* This data cannot be disclosed because the number of returns is too small under state privacy rules.
** Returns Processed through September 30, 2023.
***Penalties issued in exempt income ranges are due to taxpayer error, corrections or adjustment made in post processing are not captured in this report.

The poverty guidelines (also known as the federal poverty level) are a federal poverty measure issued each year by the Department of Health and Human Services. The guidelines are applied by number of persons in the household. For calendar year 2022, the federal poverty level for a single member household was $13,590 and $27,750 for a four-person household.

Table 4 contains the number of applicable households who reported they owed the penalty, the amount of penalty assessed, and the number of dependents claimed by federal poverty level category.

Table 4: Process Year 2023 Individual Shared Responsibility Penalty by Federal Poverty Level*

Federal Poverty Level	Assessed Count	Assessed Amount	Number of Dependents
Income less than 139% of the Federal Poverty Level**	588	$590,904	368
Income between 139% and 266% of the Federal Poverty Level	65,090	$46,867,000	19,600
Income between 267% and 400% of the Federal Poverty Level	66,014	$52,947,056	24,345
Income greater than 400% of the Federal Poverty Level	69,307	$122,167,421	21,225
Total	**200,999**	**$222,572,381**	**65,538**

* Returns Processed through September 30, 2023.
**Penalties issued in exempt income ranges are due to taxpayer error, corrections or adjustment made in post processing are not captured in this report.

In addition, in compliance with RTC Section 61045, the FTB is required to issue a penalty for the failure to report health coverage information to "applicable entities". At this time, the FTB is currently evaluating whether any "applicable entities" are subject to the penalty, but no penalties have been issued to date.

When the individual files their California income tax return, the taxpayer verifies members of their applicable household and reports on each member's health coverage. If the taxpayer is unable to check the full year coverage box, which covers all members of the family on the Form 540, the taxpayer fills out Form 3853 and reports any applicable exemptions for each member of the household by month. For purposes of reporting on Form 3853, when a taxpayer or member of their applicable household does not have coverage for the entire year, the individual claims an exemption for maintaining MEC for the months that they had coverage. On Form 3853, members of the applicable household that maintain MEC for the full year can claim a full year exemption.

The below table is an example of how Form 3853 might look for a three-member household. Member 1 was able to maintain MEC for the entire year, Member 2 maintained intermittent coverage, and Member 3 reported two different exemptions over the year.

Household Member	**Member 1**	**Member 2**	**Member 3**
Full Year	Maintained MEC		
January		Maintained MEC	Maintained MEC
February		Maintained MEC	Living abroad
March		Maintained MEC	Living abroad
April			Living abroad
May			Living abroad
June			Living abroad
July			Living abroad
August		Maintained MEC	Living abroad
September		Maintained MEC	Maintained MEC
October		Maintained MEC	Maintained MEC
November		Maintained MEC	Maintained MEC
December		Maintained MEC	Maintained MEC

For the process year 2023, over 510,000 full year exemptions and over 2.4 million monthly exemptions were reported for applicable household members (see Table 5 for exemption types applied for a full year and Table 6 for exemption types applied by month). The Exchange grants exemptions from the mandate for reasons of hardship or religious conscience by issuing a certificate of exemption. Other exemptions can be claimed when filing the tax return. The four most common full year exemptions used were:

- Member of household maintained minimum essential coverage.
- Certain citizens living abroad/residents of another state or U.S. territory.
- Nonresident/Part-year resident.
- Health coverage is considered unaffordable (exceeded 8.09% of household income for the 2022 year).

For more detail on the exemptions codes please see Form 3853 instructions.

Table 5: Process Year 2023 Exemptions Reported for a Full Year**

Full Year Exemption	Frequency
Household member maintains minimum essential coverage*	164,567
Citizens living abroad and certain noncitizens	126,204
Nonresident/Part-year resident	108,584
Health coverage is considered unaffordable (exceeded 8.09% of household income for the 2022 taxable year)	85,065
Families' self-only coverage combined cost is unaffordable	12,762
Members of health care sharing ministry	4,267
Enrolled in limited or restricted-scope Medi-Cal or other coverage from the California Department of Health Care Services	4,253
General hardship	1,762
Members of federally recognized Indian tribes including Alaskan Natives	1,209
Coverage considered unaffordable based on projected income as determined by the Exchange	828
Members of certain religious sects	242
Incarceration (other than incarceration pending the disposition of charges)	195
Member of applicable household born or adopted during the year	156
Member of applicable household died during the year	77
Short coverage gap of three consecutive months or less	44
Taxpayer entered an invalid exemption code	38
Total	**510,253**

* Individuals who have minimum essential coverage for the full year but are unable to check the box on the return for full year coverage for their entire applicable household claim an exemption for full year coverage on Form 3853.

** Returns Processed through September 30, 2023.

Table 6: Process Year 2023 Monthly Exemptions Reported**

Monthly Exemptions	Frequency
Household member maintains minimum essential coverage*	1,641,746
Health coverage is considered unaffordable (exceeded 8.09% of household income for the 2022 taxable year)	313,231
Nonresident/Part-year resident	184,860
Short coverage gap of three consecutive months or less	150,061
Citizens living abroad and certain noncitizens	56,190

Monthly Exemptions	Frequency
Families' self-only coverage combined cost is unaffordable	37,812
Enrolled in limited or restricted-scope Medi-Cal or other coverage from the California Department of Health Care Services	26,221
Member of applicable household born or adopted during the year	24,834
General hardship	9,674
Members of health care sharing ministry	6,642
Member of applicable household died during the year	6,141
Coverage considered unaffordable based on projected income as determined by the Exchange	3,019
Incarceration (other than incarceration pending the disposition of charges)	1,831
Members of certain religious sects	1,404
Members of federally recognized Indian tribes including Alaskan Natives	1,042
Taxpayer entered an invalid exemption code	11
Total	**2,464,719**

* Individuals who have minimum essential coverage for the full year but are unable to check the box on the return for full year coverage for their entire applicable household claim an exemption for full year coverage on Form 3853.

** Returns Processed through September 30, 2023.

Premium Assistance Subsidy

As defined in the Background section of this document, in taxable year 2020, under Title 25 (commencing with Section 100800) of the Government Code, the Exchange provided health care coverage financial assistance, known as the premium assistance subsidy (subsidy), to California residents with household incomes at or below 600 percent of the federal poverty level. This subsidy supplemented the federal premium tax credit available to individuals and households with income at or below 400 percent of the federal poverty level. The subsidy was subject to reconciliation against actual household income, family size, and other factors when the responsible individual filed their California income tax return.

Using projected income, the individual could apply to the Exchange for an advanced subsidy, generally done at the beginning of each year. At the end of each year, when the taxpayer filed their California income tax return, they reconciled the advanced subsidies received based on income projections against the subsidies they were allowed based on their actual income.

The federal act, known as ARPA, included enhanced federal premium assistance for individuals and household with incomes up to 600 percent of the Federal poverty level. The Federal premium assistance was made available for tax years 2021 and 2022. The Inflation Reduction Act of 2022 extended the ARPA enhanced premium program through 2025. The enhanced federal premium subsidies reduced premium costs as a percent of income below the thresholds established in the state program resulting in the zeroing out of the state program, as mentioned above.

In Summary, California requires individuals and/or applicable household members to maintain MEC, if the individual or applicable household members do not maintain a full year of MEC, or have an exemption, they are subject to a penalty for each month MEC is not maintained. To supplement the cost of healthcare premiums, the federal government is currently providing financial support, through 2025, in the form of the enhanced federal premium assistance for individuals and household with incomes up to 600 percent of the Federal poverty level.