



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 health care 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 coverage or obtain an exemption, an Individual Shared Responsibility Penalty (Penalty) will be imposed. The penalty is imposed per uninsured person for each month they do not maintain minimum essential coverage.

To calculate the penalty, 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, the 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, 2025, Health Care Minimum Essential Coverage Individual Mandate Penalty Report includes timely filed and processed return data available as of September 30, 2024.

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.

Table 1: Process Year 2024 Individual Shared Responsibility Penalty Assessed*

Variables	Count	Assessed Amount	Average (Mean)	Median
Individual Shared Responsibility Penalty Assessed	196,029	\$230,701,461	\$1,177	\$900

* Returns processed through September 30, 2024.

Five counties (Los Angeles, Orange, Riverside, San Bernardino, and San Diego) represented 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 2024 Individual Shared Responsibility Penalty Assessed*

County	Assessed Count	Assessed Amount	Number of Dependents
ALAMEDA	7,110	\$9,040,674	1,894
ALPINE	**	**	**
AMADOR	194	\$214,340	67
BUTTE	997	\$996,252	297
CALAVERAS	191	\$226,713	51
COLUSA	180	\$156,145	100
CONTRA COSTA	4,147	\$5,404,098	1,331
DEL NORTE	128	\$142,480	42
EL DORADO	825	\$956,538	243
FRESNO	4,028	\$4,027,830	1,409
GLENN	151	\$149,862	91
HUMBOLDT	782	\$762,856	183
IMPERIAL	909	\$962,454	448
INYO	106	\$106,448	17
KERN	2,939	\$2,927,427	1,037
KINGS	478	\$483,827	207
LAKE	332	\$360,368	113
LASSEN	80	\$82,468	36
LOS ANGELES	48,219	\$53,959,339	12,728
MADERA	553	\$597,724	251
MARIN	1,035	\$1,830,099	347
MARIPOSA	89	\$102,568	27
MENDOCINO	569	\$651,808	192
MERCED	1,097	\$1,047,692	485
MODOC	31	\$30,970	10
MONO	142	\$150,440	51

County	Assessed Count	Assessed Amount	Number of Dependents
MONTEREY	2,082	\$2,258,635	693
NAPA	670	\$764,453	201
NEVADA	503	\$590,754	151
ORANGE	15,741	\$18,714,618	5,209
PLACER	1,570	\$1,911,061	516
PLUMAS	119	\$104,563	49
RIVERSIDE	11,999	\$12,917,481	5,050
SACRAMENTO	6,518	\$6,715,699	1,910
SAN BENITO	383	\$419,347	198
SAN BERNARDINO	10,302	\$11,027,722	4,140
SAN DIEGO	19,427	\$22,002,895	6,546
SAN FRANCISCO	4,446	\$5,607,390	602
SAN JOAQUIN	3,461	\$3,619,048	1,343
SAN LUIS OBISPO	1,607	\$1,706,402	449
SAN MATEO	3,050	\$4,529,179	757
SANTA BARBARA	2,373	\$2,631,707	904
SANTA CLARA	8,629	\$11,973,085	2,302
SANTA CRUZ	1,290	\$1,506,343	288
SHASTA	1,205	\$1,250,063	478
SIERRA	**	**	**
SISKIYOU	233	\$221,426	69
SOLANO	1,736	\$1,853,519	498
SONOMA	2,726	\$2,991,780	885
STANISLAUS	2,144	\$2,214,573	830
SUTTER	432	\$450,933	177
TEHAMA	264	\$247,985	94
TRINITY	55	\$69,023	20
TULARE	1,488	\$1,573,064	602
TUOLUMNE	241	\$271,133	82
VENTURA	4,599	\$5,232,913	1,731
YOLO	851	\$879,350	218
YUBA	315	\$317,492	115
OTHER ***	10,240	\$18,732,850	2,868
Total	196,029	\$230,701,461	61,635

* Returns processed through September 30, 2024.

** This data cannot be disclosed because the number of returns is too small under state privacy rules.

*** 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. Penalties assessed in exempt income ranges are due to taxpayer error. Corrections or adjustments made in post processing may not be captured in this report.

Table 3: Process Year 2024 Individual Shared Responsibility Penalty Assessed by AGI*

AGI Class	Assessed Count	Assessed Amount	Average Penalty	Number of Dependents
\$ NEGATIVE	24	\$65,182	\$2,716	11
\$0 TO \$9,999	169	\$172,355	\$1,020	22
\$10,000 TO \$19,999	368	\$322,244	\$876	47
\$20,000 TO \$29,999	27,007	\$18,208,451	\$674	67
\$30,000 TO \$39,999	32,550	\$22,301,404	\$685	1,464
\$40,000 TO \$49,999	28,920	\$21,225,183	\$734	4,310
\$50,000 TO \$59,999	22,823	\$18,257,800	\$800	5,344
\$60,000 TO \$69,999	17,334	\$16,318,622	\$941	5,716
\$70,000 TO \$79,999	13,820	\$15,152,285	\$1,096	7,936
\$80,000 TO \$89,999	10,240	\$12,407,655	\$1,212	6,650
\$90,000 TO \$99,999	7,597	\$10,192,545	\$1,342	5,188
\$100,000 TO \$124,999	12,152	\$18,963,353	\$1,561	8,590
\$125,000 TO \$149,999	6,535	\$12,810,401	\$1,960	4,843
\$150,000 TO \$174,999	3,993	\$9,635,926	\$2,413	2,734
\$175,000 TO \$199,999	2,529	\$7,154,006	\$2,829	1,735
\$200,000 TO \$249,999	3,083	\$10,309,856	\$3,344	2,098
\$250,000 TO \$299,999	1,675	\$6,656,561	\$3,974	1,120
\$300,000 TO \$349,999	1,096	\$5,035,854	\$4,595	791
\$350,000 TO \$399,999	757	\$3,819,903	\$5,046	539
\$400,000 TO \$449,999	571	\$2,987,301	\$5,232	418
\$450,000 TO \$499,999	403	\$2,371,952	\$5,886	299
\$500,000 TO \$599,999	589	\$3,862,832	\$6,558	452
\$600,000 TO \$699,999	391	\$2,452,213	\$6,272	259
\$700,000 TO \$799,999	262	\$1,798,769	\$6,866	211
\$800,000 TO \$899,999	175	\$1,232,439	\$7,043	116
\$900,000 TO \$999,999	165	\$1,151,224	\$6,977	88
\$1,000,000 TO \$1,999,999	479	\$3,455,781	\$7,215	353
\$2,000,000 TO \$2,999,999	116	\$954,437	\$8,228	95
\$3,000,000 TO \$3,999,999	58	\$381,912	\$6,585	29
\$4,000,000 TO \$4,999,999	32	\$258,372	\$8,074	36
\$5,000,000 TO \$HIGH	116	\$784,643	\$6,764	74
Total	196,029	\$230,701,461	\$1,177	61,635

* Returns processed through September 30, 2024.

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 2023, the federal poverty level for a single member household was \$14,580 and \$30,000 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. Penalties assessed in exempt income ranges are due to taxpayer error. Corrections or adjustment made in post processing may not be captured in this report.

Table 4: Process Year 2024 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	703	\$755,196	393
Income between 139% and 266% of the Federal Poverty Level	68,857	\$52,003,855	20,425
Income between 267% and 400% of the Federal Poverty Level	62,028	\$53,168,657	21,560
Income greater than 400% of the Federal Poverty Level	64,441	\$124,773,753	19,257
Total	196,029	\$230,701,461	61,635

* Returns processed through September 30, 2024.

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 continuously evaluates 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 2024, roughly 495,000 full year exemptions and over 2.6 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
- Citizens living abroad and certain noncitizens
- Nonresident/Part-year resident
- Coverage considered unaffordable — The required contribution is more than 8.17% of your household income

For more detail on the exemptions codes please see [Form 3853](#) instructions.

Table 5: Process Year 2024 Exemptions Reported for a Full Year*

Full Year Exemption	Frequency
Household member maintains minimum essential coverage**	155,408
Citizens living abroad and certain noncitizens	120,092
Nonresident/Part-year resident	110,830
Coverage considered unaffordable — The required contribution is more than 8.17% of your household income.	82,666
Families' self-only coverage combined cost is unaffordable	12,238
Members of health care sharing ministry	4,361
Enrolled in limited or restricted-scope Medi-Cal or other coverage from the California Department of Health Care Services	4,360
General hardship	1,717
Members of federally-recognized Indian tribes including Alaskan Natives	1,210
Coverage considered unaffordable based on projected income as determined by the Exchange	788
Members of certain religious sects	278
Short coverage gap of three consecutive months or less	222
Member of applicable household born or adopted during the year	214
Incarceration (other than incarceration pending the disposition of charges)	185
Taxpayer entered an unused exemption code	50
Member of applicable household died during the year	48
Total	494,667

* Returns processed through September 30, 2024.

** 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.

Table 6: Process Year 2024 Monthly Exemptions Reported*

Monthly Exemptions	Frequency
Household member maintains minimum essential coverage**	1,734,217
Coverage considered unaffordable — The required contribution is more than 8.17% of your household income.	304,345
Nonresident/Part-year resident	166,886
Short coverage gap of three consecutive months or less	165,950

Monthly Exemptions	Frequency
Citizens living abroad and certain noncitizens	56,919
Enrolled in limited or restricted-scope Medi-Cal or other coverage from the California Department of Health Care Services	38,936
Families' self-only coverage combined cost is unaffordable	37,496
Member of applicable household born or adopted during the year	23,700
General hardship	10,321
Members of health care sharing ministry	5,750
Member of applicable household died during the year	5,360
Coverage considered unaffordable based on projected income as determined by the Exchange	2,521
Members of certain religious sects	1,369
Incarceration (other than incarceration pending the disposition of charges)	1,308
Members of federally-recognized Indian tribes including Alaskan Natives	1,199
Taxpayer entered an unused exemption code	60
Total	2,556,337

* Returns processed through September 30, 2024.

** 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 part year coverage on Form 3853.

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.