



# 2020 Individual Shared Responsibility Penalty Calculation

January 10<sup>th</sup>, 2020

## Summary:

Applying an established IRS procedure in support of the new California statute requiring individuals to obtain health coverage, Covered California calculated the average bronze plan premium for calendar year 2020. In performing this calculation, Covered California used 2020 rate data from all qualified health plan (QHP) issuers. Following the procedure yielded the average bronze plan premium for calendar year 2020, which is \$289 per month for an individual. Consistent with the IRS procedure, the maximum monthly penalty for a taxpayer with a household of five or more non-exempt individuals who did not maintain minimum essential coverage would be \$289 times five or \$1,445.

## Background:

Covered California is providing the preceding calculation to support the implementation by the California Franchise Tax Board of the Individual Shared Responsibility Penalty pursuant to Part 32 of the Revenue and Taxation Code.

Section 61015 of the Revenue and Taxation Code establishes that the Individual Shared Responsibility Penalty imposed on a responsible individual for a taxable year shall be equal to the lesser of either (1) the sum of the monthly penalty amounts determined under subdivision (b) of Section 61015 or (2) “an amount equal to one-twelfth of the state average premium for qualified health plans that have a bronze level of coverage for the applicable household size involved, and are offered through the Exchange for plan years beginning the calendar year with or within which the taxable year ends, multiplied by the number of months in which a failure described in Section 61010 occurred.”<sup>1</sup>

The penalty amount language in the California statute closely mirrors the federal penalty that was enacted in 2010 in the Affordable Care Act, the dollar value of which was set to zero for calendar years beginning with 2019.

In 2014, the Internal Revenue Service (IRS) released Revenue Procedure 2014-46 (the procedure), which describes the methodology the IRS used for tax years 2014 through 2018 when the federal penalty was in effect to calculate average premiums for the bronze level of coverage. The procedure provides the methodology for the calculation of the average premium for the bronze level of coverage, which is established by the procedure as follows:

“the monthly national average bronze plan premium is determined using a population-weighted average of the premium in each county or county equivalent that would be charged to a 21-year old individual who does not use tobacco.” (Internal Revenue Service, Revenue Procedure 2014-46, pp. 4-5.)<sup>2</sup>

Further, the procedure essentially caps the penalty a taxpayer will pay at a maximum of five individuals as follows:

“in determining a taxpayer’s monthly national average bronze plan premium, the age-21 non-tobacco user premium described above is multiplied by the number of the individuals in the shared

responsibility family, up to a maximum of five.” (Internal Revenue Service, Revenue Procedure 2014-46, p. 5.)<sup>2</sup>

## Methodology:

The method used by Covered California to calculate the 2020 monthly state average premium for qualified bronze level health plans approximates the IRS revenue procedure.

The first step begins with using 2020 rate data from all QHP issuers<sup>3,4</sup> to ascertain the median bronze-level premium in each of California’s fifty-eight counties. Using the median premium minimizes the impact of outliers as stated in the IRS protocol.

**Table 1. Median Bronze-Level Premium by County, 2020**

County Median Rate	County Median Rate	County Median Rate	County Median Rate
Alameda \$338.37	Kings \$240.01	Placer \$345.25	Sierra \$361.13
Alpine \$361.13	Lake \$361.13	Plumas \$361.13	Siskiyou \$361.13
Amador \$336.82	Lassen \$361.13	Riverside \$255.80	Solano \$311.99
Butte \$361.13	Los Angeles \$246.12	Sacramento \$345.25	Sonoma \$311.99
Calaveras \$361.13	Madera \$240.01	San Benito \$472.95	Stanislaus \$282.12
Colusa \$361.13	Marin \$311.99	San Bernardino \$255.80	Sutter \$336.82
Contra Costa \$366.26	Mariposa \$273.11	San Diego \$281.21	Tehama \$361.13
Del Norte \$361.13	Mendocino \$361.13	San Francisco \$355.95	Trinity \$361.13
El Dorado \$333.25	Merced \$368.28	San Joaquin \$282.12	Tulare \$282.12
Fresno \$240.01	Modoc \$361.13	San Luis Obispo \$323.93	Tuolumne \$361.13
Glenn \$361.13	Mono \$371.57	San Mateo \$386.36	Ventura \$317.31
Humboldt \$361.13	Monterey \$472.95	Santa Barbara \$323.93	Yolo \$345.25
Imperial \$280.99	Napa \$311.99	Santa Clara \$310.96	Yuba \$336.82
Inyo \$371.57	Nevada \$361.13	Santa Cruz \$440.59	
Kern \$254.49	Orange \$267.21	Shasta \$361.13	

Considering differences in county populations, the subsequent step is to calculate the population weight for each county. The California Department of Finance provides population data<sup>5</sup> as of 1/1/2019 to determine said weight, which is derived by dividing the county’s population by the State total.

**Table 2. Population Weight by County, 2019**

County Population Weight	County Population Weight	County Population Weight	County Population Weight
Alameda 0.04181	Kings 0.00385	Placer 0.00994	Sierra 0.00008
Alpine 0.00003	Lake 0.00163	Plumas 0.00050	Siskiyou 0.00112
Amador 0.00096	Lassen 0.00076	Riverside 0.06111	Solano 0.01105
Butte 0.00567	Los Angeles 0.25681	Sacramento 0.03873	Sonoma 0.01254
Calaveras 0.00113	Madera 0.00400	San Benito 0.00156	Stanislaus 0.01400
Colusa 0.00055	Marin 0.00658	San Bernardino 0.05491	Sutter 0.00244
Contra Costa 0.02895	Mariposa 0.00045	San Diego 0.08395	Tehama 0.00161
Del Norte 0.00069	Mendocino 0.00223	San Francisco 0.02214	Trinity 0.00034
El Dorado 0.00481	Merced 0.00709	San Joaquin 0.01930	Tulare 0.01200
Fresno 0.02550	Modoc 0.00024	San Luis Obispo 0.00702	Tuolumne 0.00137
Glenn 0.00073	Mono 0.00034	San Mateo 0.01940	Ventura 0.02145
Humboldt 0.00339	Monterey 0.01116	Santa Barbara 0.01139	Yolo 0.00558
Imperial 0.00477	Napa 0.00353	Santa Clara 0.04895	Yuba 0.00195
Inyo 0.00047	Nevada 0.00248	Santa Cruz 0.00688	
Kern 0.02295	Orange 0.08071	Shasta 0.00448	

With the population weight and median rate determined for each county in the state, calculate the weighted rate for each by multiplying the two statistics together. Once complete, a summation of the outputs will produce the average bronze plan premium for calendar year 2020, which is \$289 per month for an individual. Consistent with the IRS procedure, the maximum monthly penalty for a

taxpayer with a household of five or more non-exempt individuals who did not maintain minimum essential coverage would be \$289 times five or \$1,445.

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<sup>1</sup> Rev. & Tax. Code, § 61015

<[https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=RTC&division=2.&title=&part=32.&chapter=&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=RTC&division=2.&title=&part=32.&chapter=&article=)> (as of Dec. 16, 2019).

<sup>2</sup> Internal Revenue Service, Rev. Proc. 2014-46 (2014) <<https://www.irs.gov/pub/irs-drop/rp-14-46.pdf>> (as of Dec. 16, 2019).

<sup>3</sup> Covered California, 2020 Individual Product Prices for all Health Insurance Companies (2019)

<<https://www.hbex.ca.gov/data-research/>> (as of December 16, 2019).

<sup>4</sup> Covered California, 2020 Products by Zip Code (2019) <<https://www.hbex.ca.gov/data-research/>> (as of December 16, 2019).

<sup>5</sup> Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark (May, 2019) <<http://www.dof.ca.gov/Forecasting/Demographics/Estimates/e-4/2010-19/>> (as of December 16, 2019).