



# 2023 Individual Shared Responsibility Penalty Calculation

September 1, 2022

## Summary:

In support of the California statute requiring individuals to obtain health coverage, Covered California calculated the average bronze plan premium for the calendar year 2023 by applying an IRS methodology established with the initial implementation of the Affordable Care Act. In performing this calculation, Covered California used 2023 rate data from all qualified health plan (QHP) issuers. Following the procedure yielded the average bronze plan premium for the calendar year 2023, of \$324 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 equal to \$324 times five, or \$1,620.

## Background:

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

Section 61015 of California's 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 (ACA), the dollar value of which was set to zero for calendar years beginning with 2019.

In 2014, following the implementation of the ACA, the Internal Revenue Service (IRS) released Revenue Procedure 2014-46, 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. It is 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 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 following method was used by Covered California to calculate the 2023 monthly state average premium for qualified bronze level health plans by approximating the IRS revenue procedure.

The calculation utilizes 2023 rate data of all QHP issuers from Covered California’s website (<https://hbex.coveredca.com/data-research>). Using these data, we produce a list of unique Bronze and Bronze HDHP (HDHP) plans with pricing for a 21-year-old in each county, which is used to ascertain the median bronze-level premium in each of California’s 58 counties. As stated in the IRS protocol, the use of the median premium (as opposed to the county average premium) minimizes the impact of outliers.

**Table 1. Median Bronze-Level Premium by County, 2023**

County	County Median Rate	County	County Median Rate	County	County Median Rate	County	County Median Rate
Alameda	\$388.94	Kings	\$263.57	Placer	\$356.98	Sierra	\$397.44
Alpine	\$397.44	Lake	\$397.44	Plumas	\$397.44	Siskiyou	\$397.44
Amador	\$390.76	Lassen	\$397.44	Riverside	\$277.41	Solano	\$362.06
Butte	\$397.44	Los Angeles	\$276.48	Sacramento	\$356.98	Sonoma	\$362.06
Calaveras	\$397.44	Madera	\$263.57	San Benito	\$496.35	Stanislaus	\$336.53
Colusa	\$397.44	Marin	\$362.06	San Bernardino	\$277.41	Sutter	\$390.76
Contra Costa	\$383.18	Mariposa	\$336.53	San Diego	\$295.70	Tehama	\$397.44
Del Norte	\$397.44	Mendocino	\$397.44	San Francisco	\$399.08	Trinity	\$397.44
El Dorado	\$342.77	Merced	\$381.42	San Joaquin	\$336.53	Tulare	\$336.53
Fresno	\$263.57	Modoc	\$397.44	San Luis Obispo	\$409.59	Tuolumne	\$397.44
Glenn	\$397.44	Mono	\$463.73	San Mateo	\$449.21	Ventura	\$346.58
Humboldt	\$397.44	Monterey	\$496.35	Santa Barbara	\$409.59	Yolo	\$356.98
Imperial	\$412.54	Napa	\$362.06	Santa Clara	\$408.63	Yuba	\$390.76
Inyo	\$463.73	Nevada	\$397.44	Santa Cruz	\$493.97		
Kern	\$286.89	Orange	\$286.64	Shasta	\$397.44		

Considering differences in county population sizes, our subsequent step was calculating the population weight for each county. The California Department of Finance’s population estimate for January 2022 is used to determine the weight, which is derived by dividing the county’s population by the State total.<sup>3</sup>

**Table 2. Population Weight by County, 2022**

County	Population Weight	County	Population Weight	County	Population Weight	County	Population Weight
Alameda	0.042158	Kings	0.00388	Placer	0.010438	Sierra	0.00082
Alpine	0.000031	Lake	0.00172	Plumas	0.000483	Siskiyou	0.00119
Amador	0.001028	Lassen	0.000773	Riverside	0.062154	Solano	0.011413
Butte	0.005145	Los Angeles	0.251654	Sacramento	0.040235	Sonoma	0.012311
Calaveras	0.00115	Madera	0.004017	San Benito	0.001671	Stanislaus	0.014022
Colusa	0.000557	Marin	0.006562	San Bernardino	0.055828	Sutter	0.00253
Contra Costa	0.029515	Mariposa	0.000435	San Diego	0.083891	Tehama	0.00166
Del Norte	0.000695	Mendocino	0.002297	San Francisco	0.021507	Trinity	0.000409
El Dorado	0.004861	Merced	0.007256	San Joaquin	0.020015	Tulare	0.012122
Fresno	0.025807	Modoc	0.000222	San Luis Obispo	0.007164	Tuolumne	0.001411
Glenn	0.000734	Mono	0.000341	San Mateo	0.019003	Ventura	0.021274
Humboldt	0.003449	Monterey	0.011068	Santa Barbara	0.01136	Yolo	0.005644
Imperial	0.004576	Napa	0.003475	Santa Clara	0.048354	Yuba	0.0021
Inyo	0.000484	Nevada	0.002584	Santa Cruz	0.006803		
Kern	0.023218	Orange	0.080699	Shasta	0.004607		

With the population weight and median rate determined for each county in the state, the weighted rate for each county is calculated by multiplying the two statistics together. Once complete, the summation of the outputs produces the average bronze plan premium for the calendar year 2023 of \$324 (rounded to the nearest dollar) 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 equal to \$324 times five, or \$1,620.

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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 September 30, 2020).

<sup>2</sup> Internal Revenue Service, Rev. Proc. 2014-46 (2014) <<https://www.irs.gov/pub/irs-drop/rp-14-46.pdf>> (as of September 30, 2020).

<sup>3</sup> State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2022, with 2020 Census Benchmark. (Released: May 2, 2022)

<<https://dof.ca.gov/forecasting/demographics/estimates/e-4-population-estimates-for-cities-counties-and-the-state-2021-2022-with-2020-census-benchmark/>> (as of August 29, 2022).