# Compliance Alert

## 2026 Federal Poverty Level Updated: Higher ACA Affordability Thresholds for Employers

PROVANT

### 2026 Federal Poverty Level (FPL) Updated, Increasing FPL Affordability Safe Harbor

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Updated poverty guidelines set the 2026 FPL at $15,960 (up from $15,650 in 2025) for a person living in the mainland US, $18,360 in Hawaii and $19,950 in Alaska. This means that the Mainland FPL Affordability Threshold for non-calendar year plans beginning in 2026 is $132.46 per month *(see chart below)*.

**Applies To:** An Applicable Large Employer (ALE) that sponsors a fully insured, self-insured, or level-funded medical plan or Individual Coverage Health Reimbursement Arrangement (ICHRA).

An employer is an ALE for calendar year 2026 based on averaging 50 or more full-time and equivalent employees in calendar year 2025 (subject to specific counting rules, including a combined count with commonly owned/controlled employers in a controlled group or affiliated service group).

**Go Deeper:**

For an ALE to avoid potential penalties under Internal Revenue Code Section 4980H, they must offer affordable medical coverage that provides minimum value (MV) to all full-time employees (with 30 or more hours of service per week) and their dependents through the end of the month they turn 26.

The Affordable Care Act (ACA) determines whether an MV offer is affordable based on the employee's household income. Only the single tier of the lowest-cost plan is evaluated (so, non-MV options, more expensive buy-up options, and tiers that include dependents are not evaluated for affordability).

To determine whether the lowest-cost single MV plan is affordable to each full-time employee, there are three affordability safe harbors an ALE can rely on (since the employer does not have access to household income). The three safe harbors include:

1. Federal Poverty Level (FPL)
2. Rate of Pay
3. W-2

## WHAT'S NEW

**Mainland FPL affordability cap increases to $132.46/ month** for the lowest-cost single MV plan for **non-calendar-year 2026 plans.**

**Affordability percentage rises to 9.96% of FPL,** increasing the allowable employee contribution.

**Non-calendar-year plans may use the new 2026 FPL**, while calendar-year plans must continue using 2025 FPL amounts.

## TAKEAWAY

Employers using the FPL safe harbor should confirm their 2026 employee contribution caps now to avoid affordability and penalty exposure.

The FPL safe harbor is the easiest of the three safe harbors to apply because it bases affordability on the FPL instead of basing it on what each employee earns. It also provides the employer an advantage by blocking any employee eligible for an FPL-affordable offer from applying for a premium tax credit in the public health insurance Exchange Marketplace (the Exchange).

The employer's lowest-cost single MV plan is FPL affordable if the employee's portion does not exceed 9.96% (9.02% for 2025) of whatever FPL is in effect in any of the 6 months prior to the start of the plan year. Since the new year's FPL is published after January 1 but before February 1, the 2025 FPL must be used for calendar year plans but the new 2026 FPL can be used for non-calendar year 2026 plans.

| FPL Affordability | Calendar Year 2026 Plan | Non-Calendar Year 2026 Plan |
|---|---|---|
| **Mainland FPL** | $15,650÷12×9.96%= $129.89/mo. | $15,960÷12×9.96%= $132.46/mo. |
| **Hawaii FPL** | $17,990÷12×9.96%= $149.31/mo. | $18,360÷12×9.96%= $152.38/mo. |
| **Alaska FPL** | $19,550÷12×9.96%= $162.26/mo. | $19,950÷12×9.96%= $165.58/mo. |

**Practical Impact to Employers:**
For ALEs who like to know in advance that their coverage is affordable for the entire year no matter what employees earn, asking employees to pay no more than the FPL targets outlined above, for the lowest-cost single MV plan, is a fail-safe way to go.

An FPL-affordable offer is also the only way to guarantee a full-time employee cannot possibly apply for a premium tax credit in the Exchange (as their application will be blocked). Since those premium tax credits are what trigger potential penalties to the ALE, this provides peace of mind to the employer.

For ALEs wanting to take advantage of simplified reporting under the "Qualifying Offer Method," one condition is that the offer must be mainland FPL affordable the entire calendar year, so the FPL thresholds for Hawaii and Alaska are too high to be "qualifying offers." As a reminder, a qualifying offer can be reported on the 1095-C using 1A in line 14 and leaving lines 15 and 16 blank those months, which means there is only one row of data to audit later (in line 14) instead of three rows of data to audit when coverage is offered (lines 14, 15, and 16).
The Rate of Pay affordability safe harbor is another fairly straightforward method to use, but it does not provide the same advantages as the FPL safe harbor method outlined above. In other words, it does not block employees from Exchange premium tax credits, it does not provide simplified coding for the 1095-C, and basing affordability on the lowest full-time wage paid today does not guarantee affordability for a future full-time hire paid an even lower wage. So, if an ALE's current lowest-cost single MV plan cannot be made FPL affordable and those advantages seem helpful, it may be worth exploring whether to introduce an even lower-cost MV plan which the employer could make FPL affordable.

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