

**PCL CONSTRUCTION ENTERPRISES, INC.**

**IMPORTANT NOTICE TO EMPLOYEES**

**2019 CHANGES TO INDIVIDUAL MANDATE PENALTY FOR HEALTHCARE COVERAGE**

October 26, 2018

As you may know, there will be a change to the “individual mandate” penalty under the Affordable Care Act (“ACA”). Starting January 1, 2019, there will no longer be a penalty for the months that you or your family members do not have minimum essential coverage. The purpose of this notice is to provide a brief overview of this change and how it may affect you.

Background

The ACA requires that all individuals obtain minimum essential coverage. This is referred to as the “individual mandate.” Minimum essential coverage includes healthcare coverage offered by PCL Construction Enterprises, Inc., coverage under a government-sponsored program, coverage purchased through a state-based marketplace, or coverage under another qualifying employer-sponsored healthcare plan. If an individual does not obtain minimum essential coverage, the individual is required to pay a tax penalty for each month he or she is not covered (unless the individual qualifies for an exemption). The individual mandate penalty is also called the “individual shared responsibility payment.” The amount of the penalty varies and is capped based on household size and income, but for reference, the 2017 per person penalty for a single individual was \$57.91 per month.

In December of 2017, the Tax Cuts and Jobs Act (“Tax Act”) was signed into law. The Tax Act did not repeal the ACA or the individual mandate. However, effective January 1, 2019, the Tax Act reduces the individual mandate penalty to \$0, meaning that the government will no longer attempt to collect the individual mandate penalty if you or your family do not obtain minimum essential coverage in 2019 and subsequent years. However, for 2017 and 2018, the individual mandate penalty remains in effect and will therefore still be enforced by the government.<sup>1</sup>

How This Affects Employees

*Individual Mandate Penalty*

Beginning January 1, 2019, employees and their family members who do not have minimum essential coverage will not be required to pay a penalty. Again, this change does not take effect until January 1, 2019: if you or members of your family do not have minimum essential coverage in 2018, you may be subject to the individual mandate penalty.

*Reporting Requirements*

While there will no longer be a penalty for failing to obtain minimum essential coverage in 2019, the individual mandate requiring you and your family members to obtain minimum essential coverage has

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<sup>1</sup> Note that the Tax Act is a federal law and only affects the federal individual mandate penalty. Some states, such as Vermont and New Jersey, have passed state laws imposing a state-based individual mandate penalty for their own citizens who do not have minimum essential coverage. California has not yet passed any legislation requiring California citizens to pay an individual mandate penalty for failing to obtain minimum essential coverage. However, it is possible that California could pass its own individual mandate penalty in the future.

not been affected. Therefore, you must still report whether you and your family members have minimum essential coverage on your Form 1040 Individual Income Tax Return. If you are covered under one of PCL Construction Enterprises' healthcare plans, PCL Construction Enterprises will provide you with a Form 1095-C to help you to complete Line 61 of your Form 1040. Based on your response, you may or may not be responsible for a 2018 individual mandate penalty. You may also be required to continue reporting whether you and your family members have minimum essential coverage on your 1040 for the 2019 tax year and subsequent tax years even though the individual mandate penalty will be reduced to zero, although such reporting requirements may change pending the release of the 2019 Form 1040 instructions.

For more information about the matters described in this notice, please contact Jennifer James, Benefits Manager, at [jjames@pcl.com](mailto:jjames@pcl.com) or 303-365-6597.