

Understanding IRS ‘Pay or Play’ Penalty Letters

The Internal Revenue Service (IRS) is currently issuing [Letter 226-J](#) to certain [applicable large employers](#) (ALE) – generally those with **at least 50 full-time employees**, including full-time equivalent employees, on average during the prior year – it believes owe a penalty for failing to comply with the Affordable Care Act’s [employer shared responsibility provisions](#) (‘Pay or Play’ provisions).

Employers have the opportunity to respond before the ‘Pay or Play’ penalty assessment. In conjunction with Letter 226-J, employers will receive Form 14764, which they can use to respond to Letter 226-J. Employers who submit Form 14764 to the IRS will generally receive one of 4 letters back:

- [Letter 227-J](#): acknowledges receipt of Form 14764 and the employer’s agreement to pay the penalty;
- [Letter 227-K](#): acknowledges receipt of Form 14764 and shows that the penalty has been nullified;
- [Letter 227-L](#): acknowledges receipt of Form 14764 and shows that the penalty has been revised; or
- [Letter 227-M](#): acknowledges receipt of Form 14764 and shows that the penalty amount did not change.

Check here for additional information about [IRS ‘Pay or Play’ penalty letters](#).

For more information on this and other industry topics or Cypress services, please contact:

Greg Berth
Appleton, WI
(877) 236-0844
gregb@cypressbenefit.com

Andrew Rozmiarek
Denver, CO
(877) 236-0844
andrewr@cypressbenefit.com

Julie Kohanek, RHU
Omaha, NE
(800) 223-5508
juliek@cypressbenefit.com

For more articles like this, sign up to receive our twice-monthly [eNewsletter](#).