# Affordable Care Act

**Time Required:** 30 minutes

## Introduction

The lesson covers some of the tax provisions of the Affordable Care Act (ACA). You will learn how to determine if taxpayers satisfy the individual shared responsibility provision by enrolling in minimum essential coverage, qualifying for an exemption, or making a shared responsibility payment.

You will also learn how to determine if taxpayers are eligible to receive the premium tax credit.

## Objectives

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<td>Determine what is minimum essential coverage (MEC)</td>
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<td>Exemptions from Health Coverage</td>
<td>Determine if taxpayers qualify for a health care coverage exemption</td>
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<td>Reporting Coverage or Exemptions</td>
<td>Report taxpayers’ health insurance coverage, premium tax credit, exemption from coverage, or shared responsibility payment on the tax return</td>
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## Topics

- Minimum Essential Coverage
- Exemptions from Health Coverage
- Individual Shared Responsibility Payment
- Premium Tax Credit
- Claiming the Premium Tax Credit
- Calculating the Premium Tax Credit
- Reporting Coverage or Exemptions
- U.S. Citizens Living Abroad

## Key Terms

**Applicable taxpayer:** A taxpayer must be an applicable taxpayer to claim the premium tax credit (PTC). Generally, an applicable taxpayer is one who has household income at least 100 percent but not more than 400 percent of the Federal poverty line (FPL) for the family size, and cannot be claimed as a dependent. If the taxpayer is married at the end of the year, the taxpayer must file a joint return to be an applicable taxpayer unless an exception is met.

**Exemption Certification Number (ECN):** The number the taxpayer received from the Marketplace for the individual listed in Part I (Marketplace-Granted Coverage Exemptions for Individuals) on Form 8965, column c.

**Family:** Taxpayer family includes all individuals and only those individuals for whom the taxpayer claims a personal exemption deduction on the tax return (taxpayer, spouse, or dependents).

**Family coverage:** Health insurance that covers more than one individual.

**Form 1095-A, Health Insurance Marketplace Statement:** Used to report certain information to the IRS about family members who enroll in a qualified health plan through the Marketplace. Form 1095-A also is furnished to individuals to allow them to claim the premium tax credit, to reconcile the credit on
their returns with advance payments of the premium tax credit (advance credit payments), and to file an accurate tax return.

**Household income:** The sum of the taxpayer modified adjusted gross income (MAGI), the spouse’s MAGI (if Married Filing Jointly), and the MAGI of all dependents required to file a tax return.

**Marketplace, (Exchange or Health Insurance Marketplace):** A governmental agency or nonprofit entity that makes qualified health plans available to individuals. The term “Marketplace” refers to state Marketplaces, regional Marketplaces, subsidiary Marketplaces, and a federally-facilitated Marketplace.

**Minimum essential coverage (MEC):** Coverage under a government-sponsored program, an eligible employer-sponsored plan, a plan in the individual market, a grandfathered health plan, or other coverage recognized by the Department of Health and Human Services (HHS), in coordination with the Secretary of the Treasury, as minimum essential coverage.

**Modified Adjusted Gross Income (MAGI):** For the purposes of Form 8965, MAGI is the taxpayer’s adjusted gross income plus certain income that is not subject to tax (foreign earned income and tax-exempt interest).

**Premium tax credit:** A tax credit for certain people who enroll in a qualified health plan offered through a Marketplace (Exchange). The credit reduces the amount of tax the taxpayer owes. It may also give the taxpayer a refund or increase the refund.

If applicable, the taxpayer is allowed a credit amount for any month during the year that the taxpayer or one or more of the family members [spouse or dependent(s)] were enrolled in one or more qualified health plans through a Marketplace and not eligible for other minimum essential coverage.

**Shared responsibility payment (SRP):** If the taxpayer or any other member of the tax household did not have either minimum essential coverage or an exemption for any month during the tax year, the taxpayer must compute the shared responsibility payment.

**Unaffordable coverage:** For purposes of Form 8965, coverage is unaffordable if the individual’s required contribution is more than 8.05% of household income.

**Teacher Tips**

**Guidelines for Lesson**

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<td>Share link to Student Landing Page</td>
<td>Internet:</td>
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<td>Show Student landing page</td>
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<td>and go over skill check</td>
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<td>Provide details and engage the</td>
<td>Discuss all tips and cautions in detail.</td>
<td>Internet:</td>
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<td>students</td>
<td>Ask students to read and/or role-play examples.</td>
<td>Link &amp; Learn Taxes (L&amp;LT)</td>
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<td>Affordable Care Act</td>
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**Topic-specific Tips**

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<td>Introduction</td>
<td>Review lesson objectives.</td>
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<td>Review list of references.</td>
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<td>State the presentation time of 30 minutes.</td>
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**Minimum Essential Coverage (MEC)**

**Ask:** What is minimum essential coverage?

**Direct** students to Pub 4012, ACA tab, Minimum Essential Coverage.

**Review** Minimum Essential Coverage chart in Pub 4012, ACA tab.

**Point out:** This provision applies to each month in the calendar year. Individuals are treated as having minimum essential coverage (MEC) for a month as long as they are enrolled in and entitled to receive benefits under a plan or program identified as MEC for at least one day during that month.

**Review** ACA Worksheet with the class.

**Emphasize:** Volunteers should check the “Full” box on the ACA worksheet for each member of the tax household that had MEC all year. The software will check the box on Form 1040, line 61 if all members of the household had coverage all year.

**Visuals:**

- [Form 1040](#), line 61
- Pub 4012, ACA tab: Minimum Essential Coverage
- ACA Worksheet
<table>
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<th>Exemptions from Health Coverage</th>
<th><strong>Review</strong> topic Exemptions from Health Coverage.</th>
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<tr>
<td><strong>Point out</strong> that taxpayers may be exempt from the requirement to maintain minimum essential coverage and will not have to make a shared responsibility payment if they meet certain criteria.</td>
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<tr>
<td><strong>Review</strong> Pub 4012, ACA tab, Health Care Exemptions.</td>
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<td><strong>Review</strong> Form 8965, Health Care Exemptions.</td>
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<tr>
<td><strong>Explain</strong>: Taxpayers who received an exemption from the Marketplace will enter their certificate number on Form 8965 in Part I, column c. Part II is for taxpayers claiming an exemption due to income below the filing threshold. All other exemptions are claimed in Part III. Use a separate line for each individual and exemption type claimed on the return.</td>
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**Visuals:**

- **Form 8965**
  - Pub 4012, ACA tab:
    - Health Care Exemptions
**Reporting Coverage or Exemptions**

**Review** topic the Premium Tax Credit Form 8962 job aid from Pub 4012.

**Explain** where to report coverage or exemptions:

- The premium tax credit is calculated and the advance payments are reconciled on Form 8962.
- Taxpayers will receive Form 1095-A from the Marketplace, which will contain the information necessary to complete Form 8962.
- Taxpayers who did not have minimum essential coverage for any month during the year and can claim a coverage exemption will use Form 8965.
- The tax software will calculate the SRP amount due. Volunteers and taxpayers may also calculate this amount using the worksheets located in the Form 8965 Instructions.
- The SRP amount due is reported on Form 1040, line 61 in the Other Taxes section.
- The premium tax credit is claimed in the Payments section of the Form 1040.
- Any excess advance payments of the premium tax credit is entered in the Tax and Credits section of the Form 1040.

**Visuals:**
Pub 4012, ACA tab:
- Premium Tax Credit Form 8962
- Form 8962
- Form 1095-A
- Form 1040
Individual Shared Responsibility Provision

**Review** topic Individual Shared Responsibility Payment.

**Point out** that the individual shared responsibility provision calls for taxpayers to have minimum essential health coverage

- For each month
- Qualify for an exemption or
- Make a SRP payment when filing their federal income tax return

**Point out** a taxpayer is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes. All children generally must have MEC or qualify for a coverage exemption for each month in the year.

**Internet:**

Tax Topic: [Individual Shared Responsibility Provision](#)

YouTube video: [Individual Shared Responsibility Overview](#)
**Shared Responsibility Payment**

**Review** Shared Responsibility Payment job aid from Pub 4012.

**Explain:** The annual SRP amount is the lesser of the sum of the monthly penalty amounts or the sum of monthly national average bronze plan premiums. The monthly penalty amount is 1/12 of the greater of the flat dollar amount or the excess income amount. The “excess income amount” is the excess portion of household income over the federal income tax filing threshold for the primary tax filer (or joint filers) in the family, multiplied by the income percentage.

**Explain:** Calculating the payment requires the taxpayer’s household income and tax return filing threshold.

**Discuss:** For 2015, the monthly penalty amount is:

- 1/12 of the greater of:
  - 2 percent of the household income that is above the tax return filing threshold for the taxpayer’s filing status, or
  - The family’s flat dollar amount, which is based on the applicable dollar amount of $325 per adult and $162.50 per child (under age 18 as of the first day of the month), limited to a family maximum of $975.

- The annual SRP amount for 2015 is the lesser of the sum of the monthly penalty amounts or the sum of the monthly national average bronze plan premium for coverage through the Marketplace in 2015 that would cover everyone in the tax household who doesn’t have coverage and doesn’t qualify for a coverage exemption. For 2015, the monthly national average bronze plan premium is $207 per individual, with the maximum premium set at $1,035 for a family of five or more people.

**Review** the examples on the Tax Topic for the Individual Shared Responsibility Provision – Calculating the Payment.

**Visuals:**
- Pub 4012, ACA tab, Federal Tax Filing Requirement Thresholds
- Pub 4012, ACA tab, Shared Responsibility Payment

**Internet:**
- Tax Topic: The Individual Shared Responsibility Provision – Calculating the Payment
### Affordable Care Act

| Premium Tax Credit | **Review** topic Premium Tax Credit Eligibility.  
|--------------------|--------------------------------------------------|
| **Ask:** What is the Premium Tax Credit?  
| **Ask:** Who is allowed a premium tax credit?  
| **Answer:** Refer to the subtopic Who is allowed a Premium Tax Credit?  
| **Point out** eligibility for the premium tax credit for 2015 is based on the 2014 federal poverty lines.  
| **Direct** students to Pub 4012, ACA tab, Federal Poverty Line charts.  
| **Remind** volunteers a taxpayer’s household income is the total of the taxpayer’s modified adjusted gross income (MAGI), the taxpayer’s spouse’s MAGI if married and filing a joint return, and the MAGI of all dependents required to file a federal income tax return.  
| **Review:** The taxpayer’s tax family consists of the taxpayer, the taxpayer’s spouse if filing jointly, and all other individuals for whom the taxpayer claims a personal exemption deduction.  

### Visual:
- Pub 4012, ACA tab: Federal Poverty Lines

### Internet:
- Tax Topic: [The Premium Tax Credit](#)
- YouTube video: [Premium Tax Credit](#)
- YouTube video: [Premium Tax Credit Changes in Circumstances](#)
| Calculating the Premium Tax Credit | **Review** topic Calculating the Premium Tax Credit.  
**Ask:** Can taxpayers receive the premium tax credit in advance? **Answer:** Yes, taxpayers can decide to have all or some of the estimated credit paid in advance directly to their insurance company.  
**Review** Form 8962, Premium Tax Credit  
**Ask:** Where do you find the information needed to compute the PTC? **Answer:** The information on Form 1095-A is used to compute the premium tax credit.  
**Point out:** The Marketplace will send taxpayers Form 1095-A, showing the amount of their monthly premiums and advance credit payments, by January 31 of the year following the year of coverage.  
**Review** Form 1095-A, Health Insurance Marketplace Statement  
**Discuss** changes during the year that affect the amount of the premium tax credit.  
- Household income changes  
- Marriage  
- Divorce  
- Birth or adoption  
- Changes in household composition  
- Gaining or losing based on government or employer-sponsored healthcare coverage  
- Change of address |
| visuals: | **Form 8962**, Part 1  
**Form 1095-A** |
Claiming the Premium Tax Credit

**Review** topic Claiming the Premium Tax Credit.

**Ask:** Do taxpayers who received the benefit of advance premium tax credit payments need to file a tax return? **Answer:** Yes, taxpayers claim the premium tax credit on the tax return. Taxpayers who received advance credit payments must file a tax return even if they otherwise are not required to file. Remember, the premium tax credit is only available to taxpayers who purchased health coverage through the Marketplace.

**Ask, True or False?** If the premium tax credit is more than the advance credit payments made on the taxpayer’s behalf during the year, the difference will increase the refund or lower the amount of tax owed. **Answer:** True. This is reported in the Payments section of Form 1040.

**Review** the example in this topic.

**Point out** changes in circumstances, such as taxpayers who have separated or divorced and have a shared policy, may require the taxpayer to complete Form 8962, Part IV or V, which is out of scope for VITA.

**Direct** students to Pub 4012, ACA tab, Shared Policy Allocation.

Practice Exercises

**Review** the Practice Exercises with the class.

**Visuals:**
- Form 8962, Parts 2-4
- Form 1040, line 69
- Pub 4012, ACA tab: Shared Policy Allocation

Practice Exercises

**Review** the Practice Exercises with the class.

**Visuals:**
- Pub 4491 Appendix: ACA Exercises
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Recommended Classroom Activities

Skills Workout: Link & Learn Taxes Income – Affordable Care Act
Click Skills Workout as a new way to access Link & Learn Taxes Lesson Affordable Care Act.

Certification Warm Up – Exercises
Certification Warm Up is a new way to access the Exercises in Link & Learn Taxes

Media: Video & Audio for Lesson
YouTube video: Premium Tax Credit
YouTube video: Premium Tax Credit Changes in Circumstances
YouTube video: Individual Shared Responsibility Overview

TaxWise Tips and Resources for Lesson

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<td>From the Practice Lab, select:</td>
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<td>2. Click the appropriate demo</td>
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