Affordable Care Act (ACA)
About the Affordable Care Act (ACA)

The Affordable Care Act (ACA), requires that individuals:

• Have qualifying health insurance coverage for each month of the year or
• Qualify for coverage exemption, or
• Make a shared responsibility payment when filing a federal tax return
Objectives – Affordable Care Act (ACA)

- Determine what is minimum essential coverage (MEC)
- Determine if taxpayers qualify for a health care coverage exemption
- Calculate the shared responsibility payment, if applicable
- Determine who is eligible for the premium tax credit
- Calculate the premium tax credit
- Report taxpayers’ health insurance coverage, premium tax credit, exemption from coverage, or shared responsibility payment on the tax return
Topics

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

Definitions are always available in the L&LT online Glossary.

- Minimum essential coverage
- Applicable taxpayer
- Household income
- Marketplace, (Exchange or Health Insurance Marketplace)
- Modified Adjusted Gross Income (MAGI)
- Premium tax credit
- Shared responsibility payment
What is the minimum essential coverage?

The individual shared responsibility provision of the ACA calls for each taxpayer to have minimum essential health coverage:

- For each month,
- Qualify for an exemption, or
- Make a payment (known as the individual shared responsibility payment) when filing a federal income tax return.
Exemptions from Health Coverage

- Pub 4012, ACA tab, lists the Health Care Exemptions.
- **Form 8965** is used if the taxpayer has a Marketplace-granted coverage exemption or is claiming a coverage exemption.
The individual shared responsibility provision calls for taxpayers to have minimum essential health coverage.

- For each month
- Qualify for an exemption, or
- Make a payment when filing their federal income tax return
Shared Responsibility Payment

• Calculating the payment requires the taxpayer’s household income and tax return filing threshold.

• See Pub 4012, ACA tab, to review the 2015 Federal Tax Filing Requirement Thresholds.

### 2015 Federal Tax Filing Requirement Thresholds

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Age</th>
<th>Must file a return if gross income exceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Under 65</td>
<td>$10,300</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$11,850</td>
</tr>
<tr>
<td>Head of Household</td>
<td>Under 65</td>
<td>$13,250</td>
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<tr>
<td></td>
<td>65 or older</td>
<td>$14,800</td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td>Under 65 (both spouses)</td>
<td>$20,600</td>
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<tr>
<td></td>
<td>65 or older (one spouse)</td>
<td>$21,850</td>
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<tr>
<td></td>
<td>65 or older (both spouses)</td>
<td>$23,100</td>
</tr>
<tr>
<td>Married Filing Separately</td>
<td>Any age</td>
<td>$4,000</td>
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<tr>
<td>Qualifying Widow(er) with</td>
<td>Under 65</td>
<td>$16,600</td>
</tr>
<tr>
<td>Dependent Children</td>
<td>65 or older</td>
<td>$17,850</td>
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</tbody>
</table>
Shared Responsibility Payment – Single Example

Jim will make his SRP for the months he was uninsured when he files his 2015 income tax return.

Single individual with $40,000 income:

Jim, an unmarried 30-year-old with no dependents, did not have MEC for any month during 2015 and does not qualify for a coverage exemption. For 2015, Jim’s household income was $40,000 and his filing threshold is $10,300. The monthly national average bronze plan premium for an individual is $207.

- To determine his monthly payment amount using the income formula, subtract $10,300 (filing threshold) from $40,000 (2015 household income). The result is $29,700. Two percent of $29,700 equals $594.
- Jim’s flat dollar amount is $325.

Because $594 is greater than $325, Jim’s monthly penalty amount for each month is $49.50, or 1/12 of the $594 amount. For Jim, the sum of all monthly penalty amounts is $594.

The sum of the monthly national average bronze plan premiums for Jim is $2,484 (or $207 multiplied by 12).

Jim’s SRP for 2015 is $594, the lesser of the sum of the monthly penalty amounts or the sum of the monthly national average bronze plan premiums.

$40,000 –
$10,300
$29,700 x .02 = $594

$594 > $325
594 or $49.50 per month
Married couple under age 65 with two children and $70,000 income:
Eduardo and Julia are married and have two children under 18. They file a joint return for 2015. They did not have MEC for any family member for any month during 2015 and no one in the family qualifies for a coverage exemption. For 2015, their household income was $70,000 and their filing threshold is $20,600.
To determine their excess income amount, subtract $20,600 (filing threshold for married filing jointly) from $70,000 (2015 household income) and multiply the result ($49,400) by 2 percent. The excess income amount is $988.
Eduardo and Julia’s flat dollar amount is $975, the applicable dollar amount of $325 per adult and $162.50 per child, not to exceed 300 percent of the $325 amount.
Because $988 is greater than $975, which is 300% of the applicable dollar amount of $325 (and is less than the national average premium for bronze level coverage for 2015), Eduardo and Julia’s monthly penalty amount is $82.33 for each month the family was uninsured (1/12 of $988 equals $82.33).
The sum of the monthly penalty amounts for Eduardo and Julia for 2015 is $988.
The monthly national average bronze plan premium for Eduardo and Julia’s family is $828, or $207 multiplied by four. The sum of the monthly national average bronze plan premiums for Eduardo and Julia is $9,936.
Eduardo and Julia’s SRP for 2015 is $988, or the lesser of the two sums. Eduardo and Julia will make their SRP for the months they and their children were uninsured when they file their 2015 income tax return.

$70,000 – $20,600
$49,400 x .02 = $988.00

$975=
$325+$325+$162.50
50+162.50

988 > 975
82.33 or (1/12 of $988 = 82.33)

988 < $9,936

SRP for 2015 = $988
Premium Tax Credit

- Determining ACA Next Steps for Taxpayer, Spouse, and Dependents:
  - Insurance all year
  - No insurance all year
  - Insurance part of the year
  - Determining ACA Next steps
  - Determining PTC with insurance all year has been eliminated

- **Point out** eligibility for the premium tax credit for 2015 is based on the 2014 federal poverty lines.

**Premium Tax Credit: Where do I start?**

**STEP 1**
Indicate on the TaxWise ACA Worksheet if any taxpayer or dependent had coverage through the Marketplace
Then go to Form 8962

**STEP 2**
Did the taxpayer receive one or more Forms 1095-A?
If YES, see the instructions for Form 8962 to determine the amounts from Form 1095-A to enter on Form 8962.
If NO, the taxpayer must call the Marketplace or obtain the information from their online account.

*Caution:* Differences between the individuals covered on Form 1095-A and those being claimed on the return may require a shared policy allocation which is out of scope for the VITA/TCE programs. See page ACA-17 to determine if this situation applies.
Federal Poverty Line (FPL) states an income amount considered poverty level for the year and is adjusted for family size.

- There are FPLs for 48 states and D.C., Hawaii, and Alaska
- For 2014, for residents of one of the 48 contiguous states or Washington, D.C., the federal poverty line guidelines are:
  - $11,670 (100%) up to $46,680 (400%) for an individual
  - $15,730 (100%) up to $62,920 (400%) for a family of two
  - $23,850 (100%) up to $95,400 (400%) for a family of four

Review Pub 4012, Federal Poverty Lines
Claiming the Premium Tax Credit

**Form 8962**, Premium Tax Credit, must be used if:

- Taxpayer received an advanced payment
- Taxpayer has an excess advance payment
- Taxpayers shared a policy with another tax filer
- Taxpayers are using the alternate calculation for the year of marriage
- Taxpayers are unable to file a joint return because they are a victim of domestic abuse or spousal abandonment

Follow the steps in the Shared Policy Allocation decision tree to determine whether the taxpayer needs to complete Form 8962, Part IV is out of scope.
Calculating the Premium Tax Credit

- **Form 8962**, Premium Tax Credit is used to calculate the credit and the advance payment of the credit.
- The second lowest cost silver plan (SLCSP) premium is determined by the Marketplace and included on **Form 1095-A**.
- Taxpayers can use the information on Form 1095-A to compute their premium tax credit on their 2015 tax return and to reconcile the advance credit payments.
Calculating the Premium Tax Credit

- Changes in circumstances that can affect the amount of the actual premium tax credit include:
  - Increases or decreases in household income
  - Marriage
  - Divorce
  - Birth or adoption of a child
  - Other changes in household composition
  - Gaining or losing eligibility for government-sponsored or employer-sponsored health care
  - Change in address
Appendix A – ACA Practice Exercises

- Review the practice exercises from Publication 4491 Appendix: ACA Exercises
- Example 1 – Taxpayer with Partial Year Minimum Essential Coverage (MEC) and Coverage Exemption
- Example 2 – Coverage Exemptions
- Example 3 – Shared Responsibility Payment
- Example 4 – Affordability Exemptions – Marketplace Coverage
- Example 5 – Premium Tax Credit with Advance Credit Payments
- Example 6 – Premium Tax Credit with Advance Payments for Part-Year Coverage
Summary

- Taxpayers must have MEC coverage for each month, qualify for a coverage exemption, or make a payment when filing his or her federal income tax return.

- Some coverage exemptions are granted by the Marketplace, some exemptions can be while others must be claimed only on a tax return, and some exemptions may be granted by the Marketplace or claimed on a return.

- Only taxpayers who purchase MEC through the Marketplace for themselves or a family member are allowed a premium tax credit.

- The premium tax credit is calculated and the advanced payment is reconciled on Form 8962.

- Taxpayers will receive Form 1095-A from the Marketplace, which will contain the information necessary to complete Form 8962.

- Coverage exemptions are claimed on Form 8965.

- Any SRP is entered on Form 1040, line 61 in the Other Taxes section. Taxpayers should use the Shared Responsibility Payment Worksheet in the instructions to Form 8965 to figure the amount of the SRP due.