IRS Virtual Town Hall Series:

Tax Impacts of Health Insurance Coverage for Individuals & Families in 2014
The information contained in this presentation is current as of 10/23/2013. For the latest information about tax provisions of the Affordable Care Act, visit IRS.gov/aca.
Town Hall Agenda

- Health Insurance Marketplace
  - Health Insurance Premium Tax Credit (PTC)
    - Premium Tax Credit Overview
    - Premium Tax Credit Eligibility
    - Advance Payment of Premium Tax Credit (APTC) Overview
    - Credit Amount
  - Individual Shared Responsibility
    - Individual Shared Responsibility Overview
    - Minimum Essential Coverage
    - Coverage Exemptions
    - Reporting & Individual Shared Responsibility Payment
- Resources & Q&A session

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Health Insurance Marketplace

Get Ready & Educate Yourself:

➢ Visit [Healthcare.gov](http://Healthcare.gov) or

  • Call 1-800-318-2596 (TTY: 1-855-889-4325)

➢ Learn about:

  • Health Insurance Marketplaces
  • Purchasing health insurance
  • Getting help to pay for health insurance
Health Insurance Marketplace

- Health Insurance Marketplace open enrollment began October 1, 2013 and provides:
  - Access to health insurance information
  - A new place to purchase health insurance
  - Determination of eligibility for financial assistance and public insurance programs
  - Three Marketplace models available
    - State-Based
    - Federal-State Partnership
    - Federally-Facilitated

- Open Enrollment for the 2014 calendar year closes on March 31, 2014
  - Once open enrollment closes, health insurance coverage for 2014 can only be obtained through the Marketplace if you have a qualifying life event (e.g. job loss, birth, marriage, etc.)

Visit [Healthcare.gov](http://Healthcare.gov) for more information
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Premium Tax Credit (PTC) Overview

- New refundable tax credit to assist individuals and families in paying for health insurance premiums
  - Requires reconciliation - like withholdings - on tax return at the end of the year
  - Must enroll in coverage through the Marketplace to claim the credit

- "Get it later" option: Premium Tax Credit (PTC)
  - Wait until tax filing season to claim the PTC and pay the full premium throughout the year
  - PTC is based on actual household income

- "Get it now" option: Advance Payment of Premium Tax Credit (Advance payment of PTC)
  - Individuals can choose the amount of advance credit payments when enrolling for coverage at the Marketplace
  - Federal government will make premium payments directly to the insurer through the year on behalf of eligible individuals and families
  - Advance credit payments are based on projected household income and family size for 2014
Premium Tax Credit (PTC) Eligibility

Eligibility for the PTC is based on:

- Household income and family size for the year
- Income between 100% to 400% of the Federal Poverty Level (e.g., $23,550 – $94,200 for a family of four in 2013)
- Not eligible for other health benefits coverage (e.g., Medicaid, Medicare) other than the individual insurance market

In addition, to receive the PTC, an individual and their dependents must:

- Enroll in coverage through the Health Insurance Marketplace
- Be a U.S. citizen or be lawfully present
- Not be incarcerated
- Not be claimed as a dependent by another individual
- File a joint tax return if married
Advance Payment of Premium Tax Credit (PTC) Overview

“Get it now” Option: Advance Payments of Premium Tax Credit:

- Must apply for coverage through the Marketplace to be eligible for credit

- Report changes in circumstances (e.g., income, family size, etc.) to the Marketplace
  - Can help avoid receiving too much advance credit payments of PTC, which may result in a payment due

Visit Healthcare.gov for more information
Advance Payment of Premium Tax Credit (PTC) Overview

- Advance credit payments of PTC must be reconciled against what the actual credit amount is on the income tax return filed the following year
  - If the actual PTC amount is greater than the total advance credit payments received, either a refund is increased or a tax liability is reduced
  - If the actual PTC amount is less than the total advance credit payments received, either a refund is reduced or a tax liability is increased

- Remember: changes in circumstances (e.g., income, family size, etc.) must be reported to the Marketplace to avoid receiving too much advance credit payments of PTC
Premium Tax Credit (PTC) Amount

- Depends on income as percentage of the Federal Poverty Level
  - Based on a sliding scale
  - Based on the cost of the second lowest silver Qualified Health Plan, adjusted for the age and rating area of the covered person
  - Limits premium payments as a percent of income

- Eligibility for the amount an applicant can receive in advance credit payments is based on the applicant’s household income
  - **Household Income:** Sum of the Modified Adjusted Gross Income of the primary tax filer and all dependents with a filing requirement within a tax household

  - **Modified Adjusted Gross Income:** Adjusted gross income on the federal income tax return increased by
    - any excluded foreign income
    - nontaxable portion of social security benefits
    - tax-exempt interest received or accrued during the taxable year
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Starting in 2014, everyone must either:

- Have Minimum Essential Coverage (MEC)
- **OR**
- Have a Coverage Exemption
- **OR**
- Make a Shared Responsibility Payment
Minimum Essential Coverage (MEC) includes:

- Employer-sponsored, including COBRA and retiree coverage
- Coverage purchased in individual market and the new Marketplace
- Medicare, including Medicare Advantage
- Medicaid and Children’s Health Insurance Program (CHIP)
- TRICARE and certain types of Veteran’s health coverage

Visit Healthcare.gov for more information
Coverage Exemptions

How do I get an exemption?

- A Health Insurance Marketplace will provide certificates of exemption for some of the exemption categories
- Certain 2014 exemptions may also be claimed when filing a federal income tax return in 2015
- Exemptions from coverage requirements:
  - Member of a:
    - Recognized religious sect conscientiously opposed to accepting insurance benefits
    - Recognized health care sharing ministry
    - Federally recognized Indian tribe
  - Have no filing requirement
  - Had a short coverage gap
  - Suffered a hardship
  - Did not have access to affordable coverage
  - Were incarcerated
  - Were not lawfully present

*Those below the minimum tax filing thresholds get an automatic coverage exemption without having to file a tax return*

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Individual Shared Responsibility

- If an applicable individual fails to meet the MEC requirement for any month, a shared responsibility payment is assessed.

- All applicable individuals must ensure that they and any dependent maintain MEC each month throughout the year or a shared responsibility payment is assessed:
  - Dependents are not liable for the payment, the individual who can claim the dependent is liable for the payment.

- If a joint return is filed, spouses are jointly liable for the payment.

- One day of MEC in a month counts as coverage for the entire calendar month.

- If you have a short gap in coverage for less than 3 months, you may qualify for a coverage exemption and not owe a payment:
  - If you have two short coverage gaps during a year, the short coverage gap exemption only applies to the first gap.
Reporting

Reporting coverage or exemptions, or making payments:

- No reporting until the 2014 tax return is filed in 2015

- Payments, if due, will be reported and paid with the tax return

- No liens or levies can be used by the IRS to collect any Individual Shared Responsibility Payment
## Individual Shared Responsibility Payment

- Shared Responsibility Payment calculations are based on the **greater** of the flat dollar amount **OR** percentage of income.
- For families, the Shared Responsibility Payment cannot exceed 3x the flat dollar amount.
- The Shared Responsibility Payment amount may not exceed an amount equal to the national average premium for bronze level qualified health plans.

### Payment gradually increased

<table>
<thead>
<tr>
<th>Year</th>
<th>Flat dollar amount (annual)</th>
<th>Percentage income (annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95 per adult</td>
<td>1% of household income</td>
</tr>
<tr>
<td></td>
<td>50% for individuals under 18</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$325 per adult</td>
<td>2% of household income</td>
</tr>
<tr>
<td></td>
<td>50% for individuals under 18</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$695 per adult</td>
<td>2.5% of household income</td>
</tr>
<tr>
<td></td>
<td>50% for individuals under 18</td>
<td></td>
</tr>
<tr>
<td>After 2016</td>
<td>$695 per adult plus a cost of living increase</td>
<td>2.5% of household income</td>
</tr>
</tbody>
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Helpful Resources

Healthcare.gov

IRS.gov/ACA

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