

**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](http://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

# 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](http://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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# Individual Shared Responsibility Overview

**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)

### 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](https://www.healthcare.gov) for more information



# Coverage Exemptions

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## 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*



# Individual Shared Responsibility

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- 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 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

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- 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

Year	2014	2015	2016	After 2016
<b>Flat dollar amount (annual)</b>	<ul style="list-style-type: none"> <li>▪ \$95 per adult</li> <li>▪ 50% for individuals under 18</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$325 per adult</li> <li>▪ 50% for individuals under 18</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$695 per adult</li> <li>▪ 50% for individuals under 18</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$695 per adult <i>plus</i> an increase based on cost of living</li> <li>▪ 50% for individuals under 18</li> </ul>
<b>OR</b>				
<b>Percentage income (annual)</b>	<ul style="list-style-type: none"> <li>▪ 1% of household income</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2% of household income</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2.5% of household income</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2.5% of household income</li> </ul>

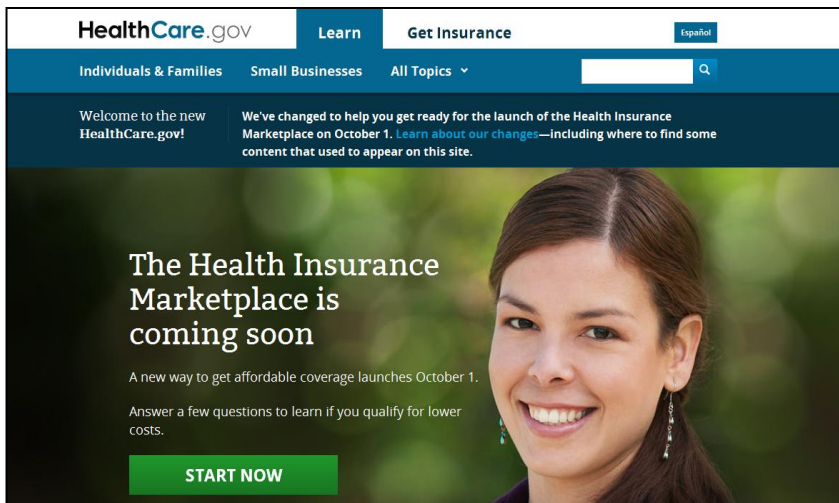


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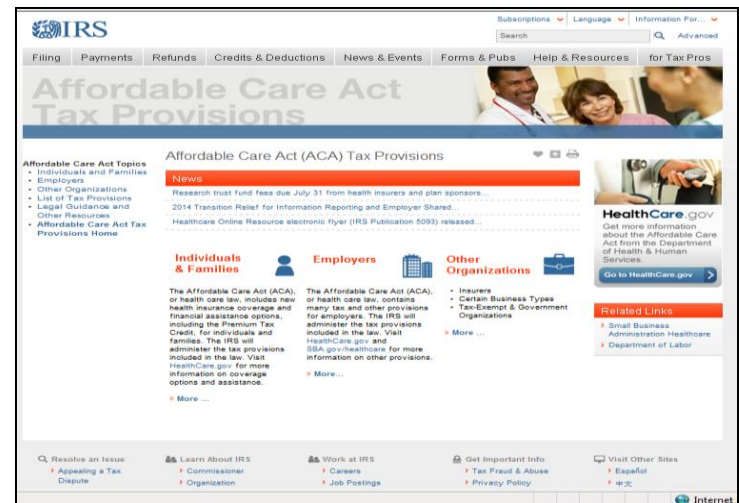
# Helpful Resources

## Healthcare.gov



The screenshot shows the Healthcare.gov homepage. At the top, there is a navigation bar with "HealthCare.gov", "Learn", "Get Insurance", and a "Español" language selector. Below this is a menu with "Individuals & Families", "Small Businesses", and "All Topics". A search bar is also present. A main banner features a smiling woman and the text: "The Health Insurance Marketplace is coming soon. A new way to get affordable coverage launches October 1. Answer a few questions to learn if you qualify for lower costs." A prominent green "START NOW" button is located at the bottom left of the banner.

## IRS.gov/ACA



The screenshot shows the IRS.gov/ACA website. The top navigation bar includes "Filing", "Payments", "Refunds", "Credits & Deductions", "News & Events", "Forms & Pubs", "Help & Resources", and "for Tax Pros". A search bar is located in the top right. The main heading is "Affordable Care Act Tax Provisions". Below this, there is a "News" section with several articles. A central section titled "Affordable Care Act (ACA) Tax Provisions" is divided into three columns: "Individuals & Families", "Employers", and "Other Organizations". Each column contains a brief description of the ACA provisions and a "More..." link. At the bottom, there is a footer with various links such as "Resolve an Issue", "Learn About IRS", "Work at IRS", "Get Important Info", and "Visit Other Sites".