

# Reporting Income: Assisting a Household with Unpredictable Income

Microlearning Transcript



## Assisting a Household with Unpredictable Income

### Let's Get Started

What if my income changes throughout the year?

Some consumers may find estimating their income to be challenging.

What if I perform seasonal work, receive a commission, own a business, or have an irregular work schedule?

What if I plan to change jobs?

As an assister, you can help consumers estimate their projected household income to ensure they receive all the financial assistance (i.e., premium tax credits and cost-sharing reductions) that they qualify for.

In this module, you'll help a married couple whose income fluctuates throughout the year as they estimate their household income on a Marketplace application.

### What You Need to Know

#### Useful information

Household income affects how much financial assistance consumers are eligible for.

Consumers with household incomes that fluctuate throughout the year—or from year to year—can reduce the likelihood of having to pay back any excess advance payments of the premium tax credit (APTC) they received by updating any changes in income on their Marketplace application as soon as possible, but not later than 30 days, after the changes occur.

Consumers can choose to take all, some, or none of the full amount of APTC they're determined eligible for based on their projected household incomes.

If consumers choose to take less APTC than they are eligible for, they may reduce the likelihood of having to pay back any excess APTC and may get the difference as a refundable credit when they file their annual federal income tax return.

Consumers who report self-employment income on a Marketplace application must update their estimated annual net income on their Marketplace application when their business circumstances change. If they report a decrease in income on their Marketplace application, they could qualify for more financial assistance.

If, at tax-filing time, they have a higher annual income than what they reported on their Marketplace application, they could have to pay back some or all of the excess APTC they received during the year.

Refer to the following resources for more information on reporting unpredictable income:

- [Guide for Confirming Income Information](#)
- [How to estimate your expected income](#)
- [Calculate Yearly Income](#) – You can refer consumers who need help estimating their income and expenses to the Calculate Yearly Income Tool particularly if their income and expenses change throughout the year or are hard to estimate.

Finally, you can also review the additional resources provided throughout this module to learn more about estimating unpredictable income, reporting changes to income, and tax guidelines for small businesses or individuals.

### What You Need to Do

Let's help Marcus and Tia Brown, a married couple who will have unpredictable household income during the year they're applying for coverage, complete the income section of their Marketplace application.

Marcus is a self-employed website designer who earns income from both his regular clients and from freelance web design requests he receives throughout the year. Last year, he earned \$42,000, but his annual income typically changes from year to year.

His wife, Tia, is a server who earns a base salary and receives tips. She also receives alimony from a divorce finalized before January 1, 2019. In July of the upcoming coverage year, Tia expects to start a new job at a hair salon.

Before meeting with you, the Browns created a Marketplace account and completed all sections of their application except for the income section.

Let's begin by helping the Browns enter their current household income. The application will ask about their monthly income and then generate an estimate of their annual income based on the monthly amount.

Both Marcus and Tia will earn income this month, so they each need to enter their monthly income on their Marketplace application.

Now we'll help Marcus and Tia estimate their annual incomes for the coverage year.

Select Tia to help her enter her income.

Let's help Tia estimate her income.

Tia works at Billy's Burger as a server and earns on average \$1,568 monthly from her base salary and tips.

Tia added the following information about her job:

- Employer name: Billy's Burger
- Phone number: 443-315-8534
- Amount she's paid monthly: \$1,568

Select the Add button to move to the next screen.

Review Tia's monthly income and expenses and use the scroll bar on the right to select Save & continue.

Tia's job at Billy's Burger was successfully added to the application. Should Tia also add the alimony she receives as income?

Yes. Tia finalized her divorce before January 1, 2019, so she should report the alimony she receives as income. For divorces and separations finalized before January 1, 2019, alimony should generally be reported on the Marketplace application as income or as a deduction. For divorces and separations finalized on or after January 1, 2019, alimony should not be reported on the Marketplace application as income or as a deduction. For more information on how to treat alimony, visit [Marketplace.cms.gov/technical-assistance-resources/how-to-treat-alimony.pdf](https://www.marketplace.cms.gov/technical-assistance-resources/how-to-treat-alimony.pdf).

Now let's add the alimony Tia receives to the application. Select the Add more income button.

Tia receives a monthly alimony payment of \$650. Enter this information and select the Add button.

Tia reviews her income information and reminds you that she expects to start a new job at a hair salon in July of the upcoming coverage year, but she doesn't know much she'll earn from her second job just yet. She asks you how she should estimate her annual income for 2023.

How should you advise her?

- A. Tia should select the Add another income source button and enter a random dollar amount and submit the Marketplace application.
- B. You should suggest an estimate for Tia to enter and submit the Marketplace application.
- C. Tia should report her current income and submit the Marketplace application. When she begins to earn income from her new job or can better predict how much she will be earning, she should log back into her Marketplace account and report the new income.

Correct answer: C

Tia should report her current income and submit the Marketplace application. When she has a better idea of how much she'll earn from her job at the hair salon, she should report a life change and report her income change.

You should advise Tia to report changes to her income as soon as they occur because her coverage options and savings may change. Assistants should not be providing income estimates on behalf of consumers. Rather, consumers should be estimating their income on their own. For more information, visit [HealthCare.gov/income-and-household-information/income](https://www.healthcare.gov/income-and-household-information/income).

Based on your advice, Tia answers Expected to be about this amount to the question whether \$26,616 is an accurate estimate of her annual income for 2023, even though she knows that

amount will likely change when she starts her new job. She plans to update her income information when she starts her new job.

If Tia did know approximately how much she will make at her new job, she could answer Amount will probably be different than this to the question of whether \$26,616 is an accurate estimate of her annual income for 2023, and then use the Income Calculator to estimate her income. The tool allows consumers who receive income at different times during the year to enter them as multiple income sources. Tia can enter the expected salary and date range for her current and future job to get an estimate of her expected income for the coverage year. Select the Save & Continue button.

Tia is all set! She has successfully estimated her income and expenses!

Select continue to proceed to the next screen.

Now we'll help Marcus estimate his annual income for the coverage year. Select Marcus to help enter his income.

Let's help Marcus report his projected annual income.

The Browns do not have any expenses such as student loan interest, alimony, or educator expenses and will not contribute to an IRA this year.

First, select Add income to add Marcus' monthly income.

What type of income does Marcus currently receive?

Select the dropdown menu, then select the correct income type from the list.

Correct answer: Select Self-employment (like own business, consulting, or freelance work).

Since Marcus is self-employed, he'll need to enter his net income for this month.

Assister Tip: Self-employed consumers should include the net income they expect to receive from self-employment (sometimes called profit), which is income from the business minus business expenses. Generally, consumers cannot deduct personal, living, or family expenses.

Marcus consistently gets paid \$4,000 a month from the yearly contracts he has with his regular clients.

He will receive \$1,500 from web design requests this month, but this amount changes from month to month and is usually not this high.

His computer broke down at the start of the month, so he had to purchase a brand new one for his business. He occasionally uses it for personal purposes.

He spends half of his car mileage running business errands, like driving to meet his clients.

Marcus has already calculated his business income and business expenses for this month.

Income:

- Regular web design clients: \$4,000

- Ad hoc web design requests: \$1,500
- Total: \$5,500

#### Business Expenses:

- New computer: \$1,000
- Web design software (monthly subscription): \$100
- Business-related car gas & mileage: \$100
- Business interruption insurance (monthly premium): \$300
- Total: \$1,500

Marcus calculates his net monthly self-employment income by subtracting his total monthly business expenses of \$1,500 from his total monthly business income of \$5,500. Total monthly income subtracted from business expenses equals net self-employment income.

$$\$5,500 - \$1,500 = \$4,000$$

Some consumers may need help calculating their net self-employment income—particularly if they're newly self-employed and haven't reported net income from self-employment on Schedule C of a federal income tax return before.

Remember, you should not provide tax advice when acting in your role as an assister. You may provide basic information about calculating net self-employment income, inform consumers about IRS resources, and provide referrals to licensed tax advisers, tax preparers, or other resources for assistance with tax preparation and tax advice related to calculating net self-employment income. You may not calculate net self-employment income on a consumer's behalf.

Assister Tip: For more information on reporting self-employment income, visit [HealthCare.gov/self-employed/income](https://www.healthcare.gov/self-employed/income).

For information on deducting business expenses, visit [IRS.gov/businesses/small-businesses-self-employed/deducting-business-expenses](https://www.irs.gov/businesses/small-businesses-self-employed/deducting-business-expenses). Remember, consumers should be directed to IRS resources, licensed tax advisers, or licensed tax preparers for assistance with tax preparation and tax advice.

For more information, refer to the Working with Outside Organizations assister job aid at [Marketplace.cms.gov/technical-assistance-resources/assister-guidance-on-referrals-to-outside-organizations.pdf](https://marketplace.cms.gov/technical-assistance-resources/assister-guidance-on-referrals-to-outside-organizations.pdf).

Ok, let's go back to helping Marcus complete the income section of his Marketplace application. He enters \$4,000 for his net monthly income and Web design consultant to describe his work. Select the Add button.

The Marketplace application will automatically calculate an estimate of Marcus's annual income for 2023 based on the monthly income he reported. Use the scroll bar to the right and select Save & continue.

The Marketplace calculates his expected yearly income as \$48,000 (i.e., \$4,000 multiplied by 12), but Marcus does not expect to make \$48,000 for the upcoming coverage year. Therefore, he should select Amount will probably be different than this to indicate that his expected yearly income for 2023 is not correct. Use the scroll bar on the right to select Amount will probably be different than this and then select Save & continue.

Then, he'll select the button next to Yes to indicate that his income is hard to predict. Select the Save & continue button to proceed to the next screen.

Marcus now needs to estimate his 2023 income. Should you advise him to enter his last year's income?

No. Marketplace financial assistance is based on consumers' estimated net income for the year they're applying for coverage, not last year's income. Marcus should start with his adjusted gross income from his most recent federal income tax return and adjust his estimate to account for any changes he may expect. For more information on estimating expected income, visit [HealthCare.gov/income-and-household-information/how-to-report](https://www.healthcare.gov/income-and-household-information/how-to-report).

You should advise self-employed individuals to do their best to accurately estimate their self-employment income and expenses for the year based on their past experience, realistic expectations, industry standards, and other information.

Remember, Marcus earned \$42,000 in 2021, but he tells you that because he's had more freelance work in 2022, he expects his income will be higher than \$42,000 in 2023, but not as high as \$48,000.

Marcus can either:

1. Enter an estimate in the blank field,
2. Select the Use income calculator button to use the Income Calculator to help estimate his yearly income, or
3. Select the Monthly estimator button if he roughly knows his monthly income amounts and wants to enter estimates for each month of 2023.

Select the Monthly estimator button to proceed to the next screen.

The following screen will appear and Marcus can enter monthly estimates for 2023. Select the Save

The Estimate Marcus's income screen will appear, and Marcus can enter monthly estimates for 2023. Select the Save income estimate button to return to the previous screen.

An estimate should now appear in the blank field. Marcus agrees \$45,400 is a better estimate, and he feels more confident about submitting this value to the Marketplace. Select the update estimate button.

Great job helping Marcus estimate his income for 2023!

Marcus is all set! He has successfully estimated his income and expenses.

Good job on those scenarios!

## Wrap Up

Congratulations! You have completed Assisting a Household with Unpredictable Income.

Great job on those scenarios!

As a best practice, advise consumers with unpredictable income that once they have Marketplace coverage, it's very important for them to report any household income changes within 30 days after they occur.

If they don't report these changes, they could miss out on savings or end up having to pay money back when they file their federal income tax return for the year.

You can refer to the following resources for more information on estimating and reporting income on a Marketplace application:

- [How to estimate your expected income](#)
- [What to include as income](#)
- [Reporting self-employment income to the Marketplace](#)
- [Publication 334, Tax Guide for Small Business](#)
- [Reporting income & household changes after you're enrolled](#)
- [Calculate Yearly Income](#)

Remember that you can refer consumers who need help estimating their income and expenses to the Income Calculator, particularly if their income and expenses change throughout the year or are hard to estimate.

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