Affordable Care Act

Introduction

This lesson covers some of the tax provisions of the Affordable Care Act (ACA). You will learn how to determine if taxpayers are eligible to receive the premium tax credit. A list of terms you may need to know is included at the end of the lesson.

For the 2019 tax year, the individual Shared Responsibility Payment (SRP) is reduced to zero. Taxpayers who do not have health insurance coverage during 2019 or later do not require an exemption to avoid the SRP.

What do I need?

- ☐ Form 13614-C
- ☐ Publication 4012
- ☐ Publication 17
- ☐ Publication 974
- ☐ Form 1095-A & Instructions
- ☐ Form 8962 & Instructions

Optional

- ☐ Publication 5120
- ☐ Publication 5121
- ☐ Publication 5156
- ☐ Publication 5172
- ☐ Form 1095-B & Instructions
- ☐ Form 1095-C & Instructions

Objectives

At the end of this course, using your resource materials, you will be able to:

- Determine eligibility for the premium tax credit (PTC)
- Calculate the premium tax credit, if applicable
- Report taxpayers' premium tax credit on the tax return

What is the Affordable Care Act?

Under the Affordable Care Act (ACA), the federal government, state governments, insurers, employers, and individuals share responsibility for improving the quality and availability of health insurance coverage in the United States. The ACA reforms the existing health insurance market by prohibiting insurers from denying coverage or charging higher premiums because of an individual's preexisting conditions. The ACA also creates the Health Insurance Marketplace. For more information about the Marketplace, see www.healthcare.gov. Some states have established their own health insurance marketplaces. We will refer to them all simply as the Marketplace.

The Marketplace is where taxpayers find information about health insurance options, purchase health insurance, and, if eligible, obtain help paying premiums and out-of-pocket costs. The Marketplace estimates the amount of the premium tax credit (PTC) that eligible taxpayers may be able to claim on their federal income tax returns. Based on that estimate, eligible taxpayers can decide if they want to have all, some or none of their estimated credit paid in advance to their insurance company to help pay for coverage.

Did taxpayer receive Form 1095-A?

While conducting an interview with taxpayers using Form 13614-C, Intake/Interview & Quality Review Sheet, you will determine whether taxpayers received Form 1095-A, Health Insurance Statement from a Health Insurance Marketplace.
The Marketplace sends this form to individuals who enrolled themselves or family members in coverage through the Marketplace. The form includes information about the coverage, who was covered, and when.

The deadline for the Marketplaces to provide Form 1095-A to taxpayers is January 31. Taxpayers expecting to receive a Form 1095-A should wait to file their income tax return until they receive that form.

Who is allowed a premium tax credit (PTC)?

The premium tax credit (PTC) helps eligible taxpayers pay for health insurance purchased through a Health Insurance Marketplace. When enrolling in qualified health coverage through the Marketplace, the Marketplace estimates the amount of the PTC that eligible taxpayers may claim on their federal tax return. Based on that estimate, eligible taxpayers choose to have advance payments of the premium tax credit (APTC) made on their behalf to their insurance company, or to forego APTC and get all of the benefit of the PTC when they claim the credit on their federal tax return. Those who choose to get the benefit of APTC must file a federal tax return for the year the payments are made even if they have gross income for the year that is below the income tax filing threshold.

In general, taxpayers are allowed a PTC if they meet all of the following:

- The taxpayer, spouse (if filing a joint return), or dependents were enrolled in a qualified health plan offered through the Marketplace for one or more months in which the enrolled individual was not eligible for Minimum Essential Coverage (MEC), other than coverage in the individual market.
- The premiums for the plan or plans in which the taxpayer and his or her family members enroll are paid by the due date of the taxpayer's return (not including extensions).
- The taxpayer is an applicable taxpayer. A taxpayer is an applicable taxpayer if he or she meets the following three requirements:
  - The taxpayer's income is at least 100 percent but not more than 400 percent of the federal poverty line for the taxpayer's family size. The following exceptions allow a taxpayer with household income below 100 percent of the federal poverty line to be an applicable taxpayer, provided the taxpayer meets the other applicable taxpayer requirements:
    - The taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen, but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.
    - The taxpayer was determined eligible for APTC by the Marketplace and received the benefit of APTC for one or more months of coverage of a family member.
  - If married, the taxpayer files a joint return with his or her spouse (unless the taxpayer is considered unmarried for Head of Household filing status, or meets the criteria which allows certain victims of domestic abuse or spousal abandonment to claim the PTC using the Married Filing Separately filing status). See the instructions for Form 8962, Premium Tax Credit, for more details about these exceptions.
  - The taxpayer cannot be claimed as a dependent by another taxpayer.

Federal Poverty Line (FPL)

The federal poverty line (FPL) is an income amount adjusted for family size that is considered poverty level for the year. The U.S. Department of Health and Human Services (HHS) determines the FPL amounts annually and publishes a table reflecting these amounts at the beginning of each calendar year. You can also find this information on the HHS website at www.hhs.gov.

HHS provides three sets of federal poverty guidelines:

- one for residents of the 48 contiguous states and D.C.,
- one for Alaska residents, and
- one for Hawaii residents.

If the taxpayer moved at all during the tax year and lived in Alaska and/or Hawaii, or is filing jointly and his or her spouse lived in a different state, use the table with the higher dollar amounts for the family size.

For purposes of the PTC, eligibility for a certain year is based on the most recently published set of federal poverty guidelines as of the first day of the annual open enrollment period. As a result, the PTC for the current tax year is based on the prior year guidelines (for example, the guidelines used for 2019 APTC and PTC are the guidelines published in January 2018, which are the most recently published guidelines at the time of the open season for 2019 enrollments). The FPL tables are in the Volunteer Resource Guide, Tab H.

What is household income and what are its limits?

A taxpayer's household income is the total of the modified adjusted gross income (MAGI) of the taxpayer (and spouse, if married and filing jointly) and the MAGI of all dependents required to file a federal income tax return because his or her income meets the filing threshold.

> example
>
> David and Melinda are Married Filing Jointly taxpayers. They have one child, Philip, age 17, whom they claim as a dependent. Philip works part time and has a filing requirement. David and Melinda's household income calculation would include their MAGI, as well as Philip's MAGI.

MAGI, for the purpose of the PTC, is the adjusted gross income on the federal income tax return plus any excluded foreign income, nontaxable Social Security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest. It does not include Supplemental Security Income (SSI).

> **EXERCISES**
>
> **Question 1:** Jocelyn and Larry file jointly and claim their child, Hank. Hank has a part-time job and earns $5,000. Hank will file a return to get a refund of the tax that was withheld from his paychecks.
>
> Will Jocelyn and Larry include Hank's $5,000 as part of their Household Income for ACA purposes?
> ☐ Yes ☐ No
>
> **Question 2:** (Continuing from Question 1) If Hank earned $13,000, would Jocelyn and Larry include Hank's income as part of their Household Income for ACA purposes? ☐ Yes ☐ No

In general, only taxpayers and families whose household income for the year is between 100 percent and 400 percent of the FPL for their family size may be eligible for the PTC. A taxpayer who meets these income requirements must also meet the other eligibility criteria to claim PTC.

TIP Please see the Volunteer Resource Guide, Tab H, for the current year Poverty Guidelines.

Are taxpayers allowed a PTC for all enrolled family members?

A taxpayer is allowed a PTC only for months that a member of the taxpayer's tax family is (1) enrolled in a qualified health plan offered through the Marketplace and (2) not eligible for minimum essential health coverage (other than individual market coverage) for one or more months of enrollment. Also, the taxpayer is not allowed a PTC for a month unless the portion of the enrollment premiums for which the taxpayer is responsible has been paid by the unextended due date of the taxpayer's return. The taxpayer's tax family consists of the taxpayer, the taxpayer's spouse if filing jointly, and all individuals the taxpayer claims as dependents. The tax family members who meet the above two requirements (enrolled in coverage through the Marketplace and not eligible for other MEC) are the taxpayer's "coverage family." The importance of the tax family and coverage family in computing the PTC is explained later.

Are taxpayers allowed a PTC if offered coverage from an employer?

Generally, a person enrolled in Marketplace coverage for months he or she is eligible for employer-sponsored coverage is not eligible for a PTC for those months, even if the person turns down the employer's coverage. This includes the employee or a family member of the employee who is eligible to enroll in the employer coverage as a result of a relationship to the employee. A person may be eligible for a PTC despite an offer of employer coverage if the employer's coverage is unaffordable or fails to meet a minimum value standard (employers will provide employees with information concerning whether the minimum value standard is met).

In general, for individuals requesting the APTC, the Marketplace determines whether the employer coverage is affordable by comparing the employee's cost of the employer coverage for self-only coverage to household income. If for 2019, the employee's cost for the employer coverage is more than 9.86 percent of projected household income for 2019, the Marketplace will conclude that the employer coverage is unaffordable. The affordability test used by the Marketplace for family members of an employee who are eligible for coverage from the employer is the same as the test for the employee (compare the cost of the employee's self-only coverage to household income). If a Marketplace determines that, based on projected household income, the employer coverage would be unaffordable, the employer coverage is considered unaffordable for the employer's plan year even if it turns out to cost 9.86 percent or less of the actual household income reported on the tax return. This is referred to as the employee safe harbor.

If a household member actually enrolls in an employer plan that is minimum essential coverage, he or she is ineligible for a PTC for the months of enrollment, regardless of the affordability or minimum value of the plan. That means that a PTC is not allowed for this individual's coverage for the months the individual is enrolled in the employer coverage.

example

Cedric is single and has no dependents. When enrolling through the Marketplace during open enrollment, Cedric was not eligible for employer-sponsored coverage.

In August of the tax year, Cedric began a new job and became eligible for employer-sponsored coverage that is affordable and provides minimum value on September 1st. Since Cedric became eligible for employer-sponsored coverage on September 1st and the coverage was affordable and provides minimum value, he is usually able to claim a PTC only for the months January through August. Cedric may be able to get a PTC for September if APTC was being paid for his Marketplace coverage, Cedric informed the Marketplace about his new coverage, and the Marketplace was unable to discontinue the APTC for September.

example

Maria is single and has no dependents. Her employer offers health insurance, but she didn't enroll because she felt it was too expensive. The Marketplace determined that the employer offer was not affordable, and Maria enrolled in Marketplace coverage and received the benefit of APTC. At the end of the year, she received both a Form 1095-A from the Marketplace and a Form 1095-C from her employer indicating that the employer coverage was affordable. Because of the employee safe harbor rule, Maria is not considered eligible for the employer coverage because in good faith she provided the Marketplace information about her employer offer and the Marketplace determined that the coverage was unaffordable.

What is a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)?

Eligible employers may offer a qualified small employer health reimbursement arrangement (QSEHRA) to their eligible employees. Under a QSEHRA, an eligible employer can reimburse eligible employees for health care costs, including premiums for Marketplace health insurance. If taxpayers were covered under a QSEHRA, their employer should have reported the annual permitted benefit in box 12 of Form W-2 with code FF. If the QSEHRA is affordable for a month, no PTC is allowed for the month. If the QSEHRA is unaffordable for a month, taxpayers must reduce the monthly PTC (but not below -0-) by the monthly permitted benefit amount. If there is a code FF on Form W-2 box 12 and the employee has a marketplace policy and is otherwise eligible for PTC, the return is out of scope.

Are taxpayers allowed the PTC if they are eligible for coverage through a government-sponsored program?

An individual eligible for coverage through a government-sponsored program such as Medicaid, Medicare, CHIP or TRICARE, is not a member of the coverage family for the months in which the individual is eligible for government-sponsored coverage. Therefore, a PTC is not allowed for this individual's Marketplace coverage for the months the individual is eligible for the government-sponsored coverage. However, an individual is treated as not eligible for Medicaid, CHIP, or a similar program for a period of coverage under a qualified health plan if, when the individual enrolls in the qualified health plan, the Marketplace determines or considers the individual to be not eligible for Medicaid or CHIP.

TIP Regarding Medicaid and CHIP, taxpayers are generally considered eligible for a government-sponsored program for a month if they met the eligibility criteria for that month, even if they did not enroll. However, if a Marketplace made a determination that the taxpayer or a family member was ineligible for Medicaid or CHIP and eligible for APTC when the individual enrolls in a qualified health plan, the individual is treated as not eligible for Medicaid or CHIP for purposes of the premium tax credit for the duration of the period of coverage under the qualified health plan (generally, the rest of the plan year), even if the taxpayer's actual income for the tax year suggests that the individual may have been eligible for Medicaid or CHIP.

Accordingly, if a taxpayer was enrolled in both Medicaid coverage and in a qualified health plan for which APTC was paid for one or more months of the year for which a Marketplace determined that he or she was ineligible for Medicaid, the taxpayer can claim the PTC for these months, if otherwise eligible. The Marketplace may periodically check state Medicaid data to identify consumers who may be dual-enrolled, and direct them to return to the Marketplace to discontinue their APTC. If you believe that the taxpayer may currently be enrolled in both Medicaid and a qualified health plan with advance credit payments, you should advise the taxpayer to contact the Marketplace immediately.

Taxpayers may have a limited time to obtain Medicare, during which time they remain eligible for PTC. A person who is eligible for Medicare loses eligibility for PTC even if he or she fails to enroll in Medicare. The loss of eligibility occurs the first day of the fourth full month after the person became eligible for Medicare. For example, a person who is enrolled in Marketplace coverage with APTC, but becomes Medicare-eligible on his 65th birthday on May 17, loses eligibility for PTC on September 1, the first day of the fourth full month after Medicare eligibility. See Publication 974 for details.

If APTC is being paid for coverage in a qualified health plan and the taxpayers become eligible for government coverage that is effective retroactively (such as Medicaid or CHIP), they will not be considered eligible for the government coverage until the month after the date of approval. Taxpayers can get the PTC for Marketplace coverage until the first day of the calendar month after they are approved for the government coverage.

TIP A person is considered eligible for other MEC only if the person is eligible for MEC for every day of that month. For example, if a person becomes eligible for employer- or government-sponsored coverage on the 5th day of a month, he or she is considered not eligible for the other MEC for the month and may be allowed a PTC for the month. The person should alert the Marketplace to the change and discontinue any APTC being paid for the Marketplace coverage.

example

Adele is single with no dependents. She works part-time and has no offer of employer-sponsored health coverage. She projects her income to be $17,500 for the year (roughly 150 percent of FPL), based on her earnings at the same job in the prior year. She enrolls in a qualified health plan in the Marketplace and is determined eligible for APTC.

Adele's place of employment was closed for two weeks, unexpectedly lowering the number of hours she worked. Her employer also didn't pay an end-of-year bonus that she anticipated. Adele's actual household income for the year was $16,000. This income would make her eligible for Medicaid under her state's eligibility rules. However, based on Adele's projection of income when she enrolled in Marketplace coverage the Marketplace determined that she was not eligible for Medicaid. Therefore, Adele is treated as not eligible for Medicaid for the year and may be eligible for the PTC.

How does the taxpayer get the APTC?

During enrollment, the taxpayer projects household income and family composition. The Marketplace verifies this information through various data sources, including prior year tax information, Social Security Administration data, and state-level wage data. Using all of this information, the Marketplace estimates the amount of PTC a taxpayer will be able to claim. The estimated PTC is the maximum amount of APTC for which the taxpayer is eligible.

Taxpayers may choose to:

- Have some or all of the APTC paid to the insurance company to lower what is paid for monthly premiums; or
- Forego APTC, pay all the premiums out of pocket and get all the benefit of the PTC when they file their tax return

The amount of APTC will appear on Form 1095-A, Health Insurance Marketplace Statement.

How is the amount of PTC determined?

The law bases the amount of the PTC on a sliding scale. A taxpayer with household income at 200 percent of the FPL for the taxpayer's family size will generally get a larger credit to help cover the cost of insurance than a taxpayer with the same family size who has household income at 300 percent of the FPL. In other words, the higher the household income, the lower the amount of the credit. As explained earlier, FPL is based on tax family size.

The PTC is the sum of the credit amount for each month. The credit amount for a month is the lesser of two amounts: (1) the monthly premium for the plan or plans in which the taxpayer's family enrolled (enrollment premiums) and (2) the monthly premium for the taxpayer's applicable second lowest cost silver plan (SLCSP) minus the taxpayer's monthly contribution amount. This calculation is done on Form 8962. The applicable SLCSP premium is the premium for the second lowest cost silver plan that applies to the coverage family discussed earlier (the members of the taxpayer's tax family enrolled in Marketplace coverage and not eligible for other minimum essential coverage). If the SLCSP premium amount does not appear on Form 1095-A, or the SLCSP premium amount reported on Form 1095-A is incorrect because of a change in circumstances the Marketplace did not know about, the taxpayer must find the correct applicable SLCSP premium on either www.healthcare.gov (for taxpayers who enroll in coverage through a federally facilitated Marketplace), the website for the taxpayer's state-based Marketplace, or by calling the Marketplace customer service. If the taxpayer must allocate policy amounts with another taxpayer (because members of more than one tax family are enrolled in a single policy), the return is out of scope for the VITA/TCE programs.

A taxpayer's contribution amount is a percentage of the taxpayer's household income determined by multiplying the taxpayer's household income by the applicable figure (from the table in the instructions for Form 8962). The applicable figure is based on the FPL; the higher the FPL, the higher the percentage of household income that is used to compute the contribution amount. The contribution amount is an annual amount because it is a percentage of household income, which is an annual amount.

The monthly contribution amount is the contribution amount divided by 12. Taxpayers with no changes in enrollment premiums and applicable SLCSP premiums for all 12 months can do a single, annual calculation to compute their PTC. See the Volunteer Resource Guide, Tab H, for instructions on completing Form 8962.

Taxpayers who have a Form 1095-A showing changes in monthly amounts must do a monthly calculation to determine their PTC in Part II of Form 8962. Taxpayers who have changes in monthly amounts not shown on Form 1095-A must also do a monthly calculation to determine their PTC (for example, a taxpayer enrolled in a qualified health plan who became eligible for employer coverage during the year, but did not notify the Marketplace).

If taxpayers received the benefit of advance credit payments, they will reconcile the APTC with the amount of the actual PTC that is calculated on the tax return (more information on reconciliation is provided under How is the PTC claimed on the return, later).

The PTC is a refundable tax credit. If the amount of a taxpayer's net PTC (the excess of PTC over APTC) is more than the amount of a taxpayer's tax liability on the return, the taxpayer will receive the difference as a refund. If a taxpayer has no tax liability, all of the net PTC is paid to the taxpayer as a refund.

What happens if income or family size changed during the year?

Part of the PTC calculation is the contribution amount, which will be higher at a higher household income level (and lowers the amount of the credit). The FPL is based on state of residency and family size. Therefore, a taxpayer's PTC for the year will differ from the APTC payment amount estimated by the Marketplace if the taxpayer's family size or household income as estimated at the time of enrollment is different from the family size or household income reported on the return. The more the family size or household income differs from the initial projections used to compute the APTC payments, the more significant the difference will be between the advance credit payments and the actual credit.

Taxpayers should notify the Marketplace about changes in circumstances when they happen, which allows the Marketplace to update the information used to determine the expected amount of the PTC and adjust the APTC payment amount. This adjustment decreases the likelihood of a significant difference between the advance credit payments and the actual PTC. Changes in circumstances that can affect the amount of the actual PTC 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 coverage
- Change of address

TIP If taxpayers are currently enrolled in Marketplace coverage and have a 2019 repayment, they should contact the Marketplace now to adjust the 2020 APTC and avoid similar repayments for the 2020 tax year.

What documentation will taxpayers receive to claim the PTC?

By January 31 of the year following the year of coverage, the Marketplace will send Form 1095-A to taxpayers who purchased insurance through the Marketplace. The information statement includes the monthly premium for the applicable SLCSP used to compute the credit, the total monthly enrollment premiums (the premiums for the plan or plans the taxpayer and his or her family members enrolled in), the amount of the APTC payments, the SSN and names for all covered individuals, and all other required information. The Marketplace also reports this information to the IRS.

Use the information on Form 1095-A to compute the taxpayers' PTC on their tax returns and to reconcile the advance credit payments made on their behalf with the amount of the actual PTC on Form 8962. If Form 1095-A was lost or never received, the taxpayer must contact the Marketplace. These forms can be downloaded by taxpayers through their Marketplace account. Volunteers cannot prepare a return without this information.

How is the PTC claimed on the tax return?

Taxpayers who received the benefit of APTC payments must file a tax return even if they otherwise are not required to file. Remember, the PTC is only available to taxpayers who purchased health coverage through the Marketplace for themselves or a tax family member.

A taxpayer computes the amount of PTC on Form 8962 and reconciles it with the APTC payments for the year. If the PTC computed on the return is more than the APTC payments made on the taxpayer's behalf during the year, the difference will increase the refund or lower the amount of tax owed. If the APTC payments are more than the PTC (excess APTC), some or all of the difference will increase the taxpayer's tax liability and result in either a smaller refund or a balance due. Taxpayers with household income below 400 percent of the FPL for their family size may be allowed a limitation on their excess APTC repayment. The limitation is based on the taxpayer's household income as provided in the repayment limitation table, below.

Repayment Limitation Table

Household Income Percentage of Federal Poverty Line	Limitation Amount for Single	Limitation Amount for all other filing statuses
Less than 200%	$300	$600
At least 200%, but less than 300%	$800	$1,600
At least 300%, but less than 400%	$1,325	$2,650
400% or more	No limit	No limit

For taxpayers who use the Married Filing Separately filing status, the repayment limitation above applies to the spouses separately based on the household income reported on each return. There are situations where the cap does not apply; for example, the repayment cap is not allowed for the excess APTC attributable to an individual who is taking the health coverage tax credit (out of scope) and for APTC paid on behalf of individuals not lawfully in the U.S. Refer to Instructions for Form 8962 and Publication 974 for additional information. The repayment cap applies in all other situations in which a taxpayer's household income is below 400 percent of the applicable FPL.

Taxpayers who chose to forego APTC will get all of the benefit of their PTC on their tax return. This will either increase their refund or lower the balance due.

example

Brandon is single with no dependents. When he enrolled through the Marketplace, Brandon was approved for advance credit payments based on his projected household income. Brandon's Form 1095-A shows advance credit payments of $1,486. Brandon's actual modified AGI is more than 400 percent of the FPL for a family of 1 (see the Volunteer Resource Guide, Tab H). Since Brandon's household income is above 400 percent of the FPL, he may not claim any PTC. In addition, Brandon is not allowed a repayment limitation. Brandon must increase his tax liability by the amount of his advance credit payments. He will complete Form 8962 and enter $1,486 on the excess advance premium tax credit repayment line on his tax return.

EXERCISES (continued)

Question 3: Pedro is retired and covered by Medicare. His wife Camilla is too young for Medicare. Both are U.S. citizens. Even though Pedro is on Medicare, can Camilla get a PTC if she enrolls in coverage through the Marketplace (and is otherwise eligible for a PTC)? ☐ Yes ☐ No

Question 4: You are completing the return for Antonio, who purchased health coverage through the Marketplace and received the benefit of APTC. In completing Form 8962, you note that Antonio's MAGI is 401 percent of the FPL and the calculation shows that he has to repay the entire APTC. Assuming that Antonio would be entitled to an IRA deduction if he made an IRA contribution, can Antonio reduce his 2019 MAGI for the PTC calculation even though it is now 2020 and his 2019 tax year has ended?
☐ Yes ☐ No

Question 5: Piper's income is 300 percent of the FPL for her family size. She purchased health insurance through her employer. Is Piper eligible to take the PTC for her coverage? ☐ Yes ☐ No

Question 6: Harry purchased insurance through the Marketplace. What form will he receive from the Marketplace to prepare his tax return?

A. Form 8962

B. Form 1095-A

C. Form W-2

Question 7: Roger's APTC payments are $2,500. He is single with no dependents, and lives in Mississippi. On Form 8962, he calculates an actual PTC of $1,000. His household income is over 300 percent of the FPL but under 400 percent of the FPL for a family size of one. How much of the excess APTC will be included as an additional income tax liability on his tax return?

A. $0

B. $1,325

C. $1,600

D. $2,650

Question 8: Judy is single with no dependents. In December, Judy enrolled through the Marketplace in a qualified health plan for the following year. On July 14, Judy enlisted in the Army and was immediately eligible for government sponsored minimum essential coverage. For what period is Judy able to claim a PTC (if she meets all of the eligibility criteria)?

A. The entire tax year

B. January through June

C. January through July

D. Judy is not eligible for the PTC

What about unusual situations?

This lesson does not cover all the situations you may encounter. For situations listed below, consult the instructions for Form 8962 and Publication 974.

What if taxpayers receive more than one Form 1095-A?

There is only one PTC calculation on Form 8962. Refer to the Volunteer Resource Guide, Tab H, for instructions on how to enter multiple Forms 1095-A in the software.

What if taxpayers must allocate policy amounts for a policy purchased through the Marketplace?

If a taxpayer is enrolled, or has a family member who is enrolled, in a policy with a person not in the taxpayer's tax family (a shared policy), the taxpayer may have to allocate the items on Form 1095-A (the enrollment premiums, the premium for the applicable SLCSP, and the advance credit payments) with another taxpayer (a shared policy allocation). The following taxpayers may have to do a shared policy allocation:

- Taxpayers who got divorced or legally separated during the tax year
- A taxpayer who claims as a dependent an individual enrolled in a policy with a member of another tax family
- A taxpayer who receives a Form 1095-A that includes an individual claimed as a dependent by another tax family
- A taxpayer who files a separate return from his or her spouse

Taxpayers allocate policy amounts on Form 8962, Part IV. This is out of scope for the VITA/TCE programs.

What about an individual the taxpayer enrolled who does not file a return and is not claimed as a dependent by anyone?

If an individual for whom APTC was paid neither files a tax return for the year the APTC was paid, nor is claimed as a dependent on a tax return for the year the APTC was paid, the taxpayer who indicated to the Marketplace at enrollment that the individual would be in the taxpayer's tax family for the year the APTC was paid must report the APTC paid for that individual's coverage. See the instructions for Form 8962 and Publication 974 for more information.

What if taxpayers get married during the year?

If taxpayers got married during the tax year and one or both spouses received the benefit of APTC payments for the pre-marriage months, the spouses may be eligible to use an alternative calculation to determine their excess APTC. The alternative calculation can be used to reduce excess APTC, but not to increase net PTC. See the instructions for Form 8962 for eligibility. If eligible, taxpayers will complete Form 8962, Part V, Alternative Calculation of Year of Marriage. This is out of scope for the VITA/TCE programs. If the taxpayers do not have excess APTC, they cannot use the alternative calculation and the return remains in scope.

What about individuals not lawfully present?

A PTC is not allowed for the coverage of an individual who is not lawfully present in the United States. All APTC paid for an individual not lawfully present who enrolls in a qualified health plan must be repaid. If a member of the family is not lawfully present and is enrolled in a qualified health plan with family members who are lawfully present for one or more months of the year, use the instructions in Publication 974 to find out how much APTC, if any, must be repaid. If all family members enrolled in a qualified health plan are not lawfully present, all APTC must be repaid. There is no repayment limitation on excess APTC attributable to the coverage of an individual not lawfully present in the United States. Complete Form 8962 as directed in Publication 974.

Summary

The Affordable Care Act addresses health insurance coverage and financial assistance options for individuals and families, including the PTC.

Only taxpayers who purchase qualified health care coverage through the Marketplace for themselves, their spouse, or their dependents are allowed a PTC. Eligible taxpayers may choose to get the benefit of advance credit payments, the amount of which is based on their estimated PTC, to reduce the cost of monthly premiums. Taxpayers who chose to forgo advance credit payments get all of the benefit of the PTC when they claim it on the tax return. The PTC is calculated and the advance credit 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.

The PTC is claimed on Form 1040, Schedule 3. Any excess APTC that must be repaid is entered on Form 1040, Schedule 2.

For the 2019 tax year, the individual Shared Responsibility Payment (SRP) is reduced to zero. Taxpayers who do not have health insurance coverage during 2019 or later do not require an exemption to avoid the SRP.

What situations are out of scope for the VITA/TCE programs?

The following are out of scope for this lesson. While this list may not be all inclusive, it is provided for your awareness only.

- Self-employed health coverage deductions for taxpayers who are also allowed a PTC
- Form 8962 Part IV, Allocation of Policy Amounts, and Part V, Alternative Calculation for Year of Marriage
- Individuals eligible for the health coverage tax credit
- If there is a code FF on Form W-2, box 12 and the employee has a Marketplace policy and is otherwise eligible for PTC

EXERCISE ANSWERS

Answer 1: *No. Hank's income is below the filing threshold for a dependent with earned income so his parents will not include his MAGI in the Household Income for ACA purposes.*

Answer 2: *Yes. Hank's income is above the filing threshold for a dependent with earned income, so his parents will include his MAGI in the Household Income for ACA purposes.*

Answer 3: *Yes. Camilla is eligible for a PTC if she enrolls in coverage through the Marketplace (and is otherwise eligible).*

Answer 4: *Yes, Antonio can make a deductible IRA contribution up until April 15, 2020.*

Answer 5: *No, the coverage must have been purchased through the Marketplace.*

Answer 6: *B. Form 1095-A.*

Answer 7: *B. $1,325. Roger received a $1,500 overpayment of APTC. However, his repayment is limited to $1,325.*

Answer 8: *C. Judy is eligible for the PTC from January through July.*

Terms You May Need to Know

Applicable taxpayer (for purpose of premium tax credit) – 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.

See also: **Exception for household income below 100 percent of FPL** and **Exception for alien lawfully present in the United States**.

Coverage family – All members of the taxpayer's family who are enrolled in a qualified health plan and are not eligible for minimum essential coverage (other than coverage in the individual market). The members of the coverage family may change from month to month. A taxpayer is allowed a premium tax credit only for qualified health insurance purchased for members of the coverage family.

Domestic abuse – Domestic abuse includes physical, psychological, sexual, or emotional abuse, including efforts to control, isolate, humiliate, and intimidate, or to undermine the victim's ability to reason independently. All the facts and circumstances are considered in determining whether an individual is abused, including the effects of alcohol or drug abuse by the victim's spouse. Abuse of the victim's child or any family member living in the household may constitute abuse of the victim. If the taxpayer is a victim of domestic abuse or abandonment and does not qualify to use Head of Household filing status, the taxpayer may claim a premium tax credit if he or she files a return as Married Filing Separately and meets the exceptions as listed in the married taxpayer definition later in this section. See Publication 974 for a list of documentation that the taxpayer should retain.

Employee safe harbor – If the Marketplace determines that, based on projected household income, an individual's employer coverage would be unaffordable for the year of coverage, the employer coverage is considered unaffordable for the employer's plan year even if the amount the employee must pay for the employer coverage does not exceed a percentage (9.86 percent for 2019) of household income reported on the tax return.

Exception for alien lawfully present in the United States – A taxpayer with household income below 100 percent of the FPL can be an applicable taxpayer as long as the taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.

Exception for household income below 100 percent of FPL – A taxpayer with household income below 100 percent of the FPL is an applicable taxpayer if all of the following requirements are met:

- The taxpayer, the taxpayer's spouse, or a dependent enrolled in a policy through a Marketplace
- The Marketplace estimated at the time of enrollment that the taxpayer's household income would be between 100 percent and 400 percent of the FPL for the taxpayer's family size
- Advance credit payments were made for the coverage for one or more months during the year
- The taxpayer meets the other applicable taxpayer criteria

Family/Family size – For the purposes of Form 8962, a taxpayer's tax family consists of the taxpayer, unless the taxpayer qualifies as a dependent of another individual, the taxpayer's spouse if a joint return is filed, unless the spouse qualifies as a dependent of another individual, and the individuals who qualify as dependents of the taxpayer and whom the taxpayer claims by putting the individual's name and TIN on the Form 1040 or Form 1040NR the taxpayer files for the year.

Family coverage – Health insurance that covers more than one individual.

FPL – Federal Poverty Line – An income amount considered poverty level for the year, adjusted for family size. Department of Health and Human Services (HHS) determines the federal poverty guideline amounts annually. The government adjusts the income limits annually for inflation. For purposes of the PTC, eligibility for a certain year is based on the most recently published set of poverty lines. As a result, advance payments of PTC and the PTC for 2019 are based on the 2018 FPL.

Form 1095-A – 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 (APTC), and to file an accurate tax return.

Form 1095-B – Used to report certain information to the IRS and to taxpayers about individuals who have minimum essential coverage.

Form 1095-C – Employers with 50 or more full-time employees, including full-time equivalent employees, use this form to report information about offers of health coverage and enrollment in health coverage for their employees.

Household income – Total of the modified adjusted gross income (MAGI) of the taxpayer (and spouse, if married filing a joint return) and the MAGI of all dependents required to file a federal income tax return because their income exceeds the filing threshold.

Individual Market – The insurance market that provides private, individual (non-group) health insurance coverage to individuals who purchase health insurance on their own. This includes qualified health plans offered through the Marketplace. Each individual generally must pay the entire cost of the health insurance premium, but certain individuals are eligible for insurance premium subsidies for coverage offered through the Marketplace.

MAGI – See Modified Adjusted Gross Income.

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.

Married taxpayers (for purposes of the premium tax credit) – If a taxpayer is married at the end of the tax year, the taxpayer generally must file a joint return with his or her spouse to claim the premium tax credit unless the taxpayer meets one of the following two exceptions:

- Exception 1 (Head of Household filing status). The taxpayer may file a return as if he or she is unmarried and take the PTC if one of the following applies:
  - The taxpayer files a separate return from the taxpayer’s spouse on Form 1040 because the taxpayer meets the requirements for married persons who live apart under Head of Household in the instructions for Form 1040.
  - The taxpayer files as Single on Form 1040NR because the taxpayer meets the requirements for married persons who live apart under Were You Single or Married? in the instructions for Form 1040NR.
- Exception 2. If taxpayer is a victim of domestic abuse or abandonment and does not qualify to use Head of Household filing status, the taxpayer may claim a premium tax credit if he or she files a return as Married Filing Separately and meets the following:
  - The taxpayer is living apart from his or her spouse at the time the taxpayer files the current year tax return.
  - The taxpayer is unable to file a joint return because he or she is a victim of domestic abuse or spousal abandonment.
  - The taxpayer checks the box on Form 8962 to certify that he or she is a victim of domestic abuse or spousal abandonment.

Medicaid Expansion – The health care law provides states with additional federal funding to expand their Medicaid programs to cover adults under 65 with household income up to 138 percent of the federal poverty line. Children (18 and under) are eligible up to that income level or higher in all states.

The U.S. Supreme Court ruled that the Medicaid expansion is voluntary for states. As a result, some states have not expanded their Medicaid programs. Many adults in those states with incomes below 100 percent of the federal poverty level fall into a gap. Their incomes are too high to get Medicaid under their state's current rules but their incomes are too low to qualify for the premium tax credit.

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 PTC – MAGI is a taxpayer's adjusted gross income plus his or her untaxed foreign earned income, tax-exempt interest, and Social Security benefits not included in income.

Premium tax credit (PTC) – A refundable tax credit for certain people who enroll in a qualified health plan offered through the Marketplace.

Qualified health plan – A health plan certified by the Department of Health and Human Services to be offered through the Marketplace. Plans in the Marketplace are offered in different categories: Bronze, Silver, Gold, and Platinum ("catastrophic" plans are also available to some people, but do not qualify for PTC). See Healthcare.gov for additional information about plan levels.

Required contribution for PTC – For individuals or families enrolled in Marketplace coverage, the required contribution amount is the amount of the taxpayers' household income the enrollees would be responsible for paying as their share of premiums each month if they enrolled in the applicable second lowest cost silver plan. It is not based on the amount of premiums the enrollees paid out of pocket during the year.

Second Lowest Cost Silver Plan (SLCSP) – The second lowest cost silver plan offered through the Marketplace for the rating area in which the taxpayer resides. A taxpayer who enrolled in a qualified health plan through the Marketplace will receive Form 1095-A from the Marketplace which will include the premium for the SLCSP. This figure is used on Form 8962 to calculate the amount of the premium tax credit that the taxpayer is allowed.

Self-only coverage – Health insurance that covers one individual.

Spousal abandonment – A taxpayer is a victim of spousal abandonment for a taxable year if, taking into account all facts and circumstances, the taxpayer is unable to locate his or her spouse after reasonable diligence. If taxpayer is a victim of domestic abuse or abandonment and does not qualify to use Head of Household filing status, the taxpayer may claim a premium tax credit if he or she files a return as Married Filing Separately and meets the exceptions as listed in the **Married taxpayer** definition above. See Publication 974 for documentation that the taxpayer should retain.

Tax family – For the purposes of Form 8962, a taxpayer's tax family consists of the taxpayer, unless the taxpayer qualifies as a dependent of another individual, the taxpayer's spouse if a joint return is filed, unless the spouse qualifies as a dependent of another individual, and the individuals who qualify as dependents of the taxpayer and whom the taxpayer claims by putting the individual's name and TIN on the Form 1040 or Form 1040NR the taxpayer files for the year. The tax family does not include individuals a taxpayer can but does not claim as dependents.