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 satisfy the individual shared responsibility provision by enrolling in minimum essential coverage, qualifying for an exemption, or making a shared responsibility payment. You will also 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.

Objectives

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

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

What do I need?

- ☐ Form 13614-C
- ☐ Publication 4012
- ☐ Publication 17
- ☐ Publication 974
- ☐ Form 1095-A & Instructions
- ☐ Form 8962 & Instructions
- ☐ Form 8965 & Instructions

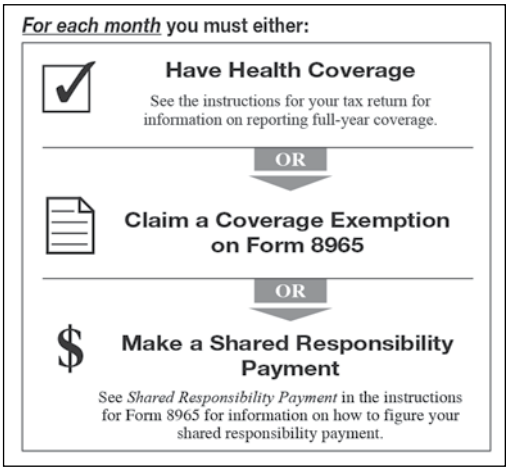
Optional

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

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.



The ACA requires individuals to have qualifying health care coverage (called minimum essential coverage, or MEC) for each month of the year, qualify for a coverage exemption, or make a shared responsibility payment (SRP) when filing their federal income tax returns.

Some taxpayers may qualify for a coverage exemption, which means they are not required to have MEC or make an SRP when filing their federal income tax return.

Who must have health care coverage?

For each month of the tax year, individuals must:

- Have MEC, or
- Qualify for a coverage exemption, or
- Make an SRP when filing their federal income tax return

Individuals are treated as having MEC for a month as long as they are enrolled in and entitled to receive benefits under a plan or program identified as MEC for at least one day during that month.

A taxpayer is subject to an SRP for the taxpayer, the taxpayer's spouse (if filing a joint return), and any individual who is claimed, or could be claimed, as a dependent on the tax return if they don't have MEC or a coverage exemption.

All U.S. citizens are subject to the individual shared responsibility provision, as are all non-U.S. citizens who are in the U.S. long enough during a calendar year to qualify as resident aliens for federal income tax purposes (see the Resident or Nonresident Alien Decision Tree in the Volunteer Resource Guide, Resident/NR Alien tab). Foreign nationals who are present in the U.S. for a short enough period that they do not become resident aliens for tax purposes are exempt from the individual shared responsibility provision even though they may have to file U.S. income tax returns.

All bona fide residents of U.S. territories are treated as having MEC and are not required to take any action to comply with the individual shared responsibility provision other than to indicate their status on their federal income tax returns if they are required to file.

An individual who can be claimed as a dependent on another taxpayer's return, but files a tax return, is generally not required to indicate their coverage or lack thereof on the return.

What is minimum essential coverage (MEC)?

Under the ACA, minimum essential coverage (MEC) is a health care plan or arrangement specifically identified in the law as MEC, including:

- Specified government-sponsored programs (e.g., Medicare Part A, Medicare Advantage, most Medicaid programs, CHIP, most TRICARE programs, and comprehensive health care coverage of veterans)
- Employer-sponsored coverage under a group health plan (including self-insured plans)
- Individual health coverage (e.g., health insurance purchased through the Marketplace or directly from an insurance company)
- Grandfathered health plans (in general, certain plans that existed before the ACA and have not changed since the ACA was passed)
- Other plans or programs that the Department of Health and Human Services, in coordination with the Treasury, recognizes as MEC for the purposes of the ACA

The chart in The Volunteer Resource Guide, Tab H, shows these and other types of coverage that qualify as MEC and some that do not. Family members are not required to have the same type of coverage. Each individual may be covered by a different plan.

Tax Software Hint: See the Volunteer Resource Guide, Tab H, for software entries.

EXERCISES

Please use the Minimum Essential Coverage Chart in Publication 4012, Volunteer Resource Guide, Tab H, and this text to answer the following questions.

Question 1: Sandy is covered under health insurance offered by her spouse's employer. Does she have MEC? ☐ Yes ☐ No

Question 2: Keith and Kathy are married with dependent children. Must they all be covered under the same policy or plan to have MEC? ☐ Yes ☐ No

Question 3: James is retired and too young to be eligible for Medicare. He received his health coverage through a retiree health insurance plan offered by his former employer. Is the retiree plan MEC? ☐ Yes ☐ No

Question 4: Valerie is a local government employee and she enrolls in group health insurance coverage offered by her employer. Does she have MEC? ☐ Yes ☐ No

Question 5: Jessie is 20 years old, going to school full-time, and working to support herself. She provides more than half of her own support, although Jessie still lives with her parents. Is Jessie responsible for her health coverage under ACA? ☐ Yes ☐ No

Question 6: (Continuing from Question 5) If Jessie's parents provided more than half of Jessie's support, are they responsible for Jessie's health coverage under ACA? ☐ Yes ☐ No

How do I know if taxpayers have MEC?

While conducting an interview with taxpayers using Form 13614-C, Intake/Interview & Quality Review Sheet, you will determine whether taxpayers, their spouse (if filing a joint return), and their dependents had MEC for the entire year, part of the year, or not at all. Taxpayers may have insurance cards or receive Forms 1095-A, 1095-B, or 1095-C from the Marketplace, their insurance provider, or employer. These forms may indicate the taxpayer or a member of the tax household had MEC for some or all months during the year, but volunteers should rely primarily on their interview with the taxpayer.

Form 1095-A, Health Insurance Marketplace Statement

- The Health Insurance Marketplace sends this form to individuals who enrolled in coverage through the Marketplace. The form includes information about the coverage, who was covered, and when.

Form 1095-B, Health Coverage

- Health insurance providers send this form to individuals they cover for one or more months of the calendar year, with information about who was covered and when (e.g., private insurers, Medicaid, Medicare, etc.).

Form 1095-C, Employer-Provided Health Insurance Offer and Coverage

- Certain large employers send this form to certain employees, with information about what coverage, if any, the employer offered to the employees. Employers that offer health coverage referred to as "self-insured coverage" send this form to individuals they cover, with information about who was covered and when. Note that the offer amounts shown on Form 1095-C are for employee-only coverage. If the employer made an offer for spousal or family coverage, the taxpayer will need to provide those offer amounts.

The deadline for the Marketplaces, insurers, other coverage providers, and certain employers to provide these forms 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. Some taxpayers may not receive a Form 1095-B or Form 1095-C by the time they are ready to file their tax return. While the information on these forms may assist in preparing a return, it is not necessary to wait for Forms 1095-B or 1095-C in order to file. These forms may indicate the taxpayer or a member of the tax household had or was offered MEC for some or all months during the year, but volunteers should rely primarily on their interview with the taxpayer.

Be sure to complete the ACA preparer section of Form 13614-C, Intake/Interview & Quality Review Sheet. Note MEC and coverage exemptions as applicable for the taxpayer, spouse, and dependents.

What are the health coverage exemptions?

Members of the tax household may be eligible to claim an exemption from the requirement to have MEC. Some exemptions apply to the entire tax household for the tax year.

Filing threshold exemptions

- **Household income below the return filing threshold** – The taxpayer's household income is below the taxpayer's minimum threshold for filing a tax return. Include the Modified Adjusted Gross Income (as defined in the instructions for Form 8965) of any dependent who has a filing requirement.
- **Gross income below the filing threshold** – Gross income of taxpayer (and spouse if Married Filing Jointly) is below the filing threshold (do not include income of dependents).

The following exemptions apply to each member of the tax household individually and apply on a monthly basis with one exception, as noted below:

- **Coverage considered unaffordable (Code A) –** The required contribution is more than 8.05 percent of household income. See the example later in this lesson.
- **Short coverage gap (Code B)** – The individual went without coverage for **less than** three consecutive months during the year. The exemption is only valid for a 1- or 2-month gap in insurance coverage, which can be sandwiched in between months of coverage or other types of exemptions. For example, if someone was incarcerated from January through October, they could claim the incarceration exemption for January through October and the short coverage gap exemption for November and December. A taxpayer may only claim an exemption for the first short coverage gap in a tax year.

  There is a look-back rule for gaps of coverage at the start of the year. In order to claim the short coverage gap exemption, you must consider gaps at the end of the prior year. So someone without coverage from October 2017 through February 2018 (who is not eligible for another exemption for October through December 2017) does not qualify for the coverage gap exemption for tax year 2018 since it was not less than 3 months. There is no "look forward rule" at the end of the tax year, so gaps from November 2018 through January 2019 would qualify for the exemption for tax year 2018.
- **Citizens living abroad and certain noncitizens (Code C)** – The individual was:
  - A U.S. citizen or resident who spent at least 330 full days outside of the U.S. during a 12-month period;

If taxpayers meet one of these conditions, they qualify for this exemption even if they have a Social Security number (SSN).

  - A U.S. citizen who was a bona fide resident of a foreign country or U.S. territory;
  - A resident alien who was a citizen of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and was a bona fide resident of a foreign country for the tax year;

  - A nonresident alien; or
  - Not a U.S. citizen, not a U.S. national, and not an individual lawfully present in the U.S. For this purpose, an immigrant with Deferred Action for Childhood Arrivals (DACA) status is not considered lawfully present and therefore qualifies for this exemption. For more information about who is treated as lawfully present for purposes of this coverage exemption, visit www.healthcare.gov.

- **Members of a health care sharing ministry (Code D)** – The individual was a member of a health care sharing ministry.
- **Members of federally recognized Indian tribes (Code E)** – The individual was a member of a federally recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or was otherwise eligible for services through an Indian health care provider or the Indian Health Service.
- **Incarceration (Code F)** – The individual was in a jail, prison, or similar penal institution or correctional facility after the disposition of charges. Does not include time in jail pending disposition of charges (being held but not convicted of a crime), time in probation, parole, or home confinement.
- **Resident of a state that did not expand Medicaid (Code G)** – Taxpayer's household income was below 138 percent of the federal poverty line for the family size and at any time in 2018 the individual resided in a state that didn't participate in the Medicaid expansion under the Affordable Care Act.
- **Aggregate self-only coverage considered unaffordable (Code G)** – Taxpayers can claim this exemption if: (1) Offers of self-only coverage for two or more members of the tax household are each affordable, but (2) two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8.05 percent of household income, (3) as was the cost of any available employer-sponsored coverage for the entire family. Exception: This exemption applies to the whole year for the entire family.

See Publication 5157-A, Affordable Care Act – Taxpayer Scenarios, for detailed instructions on claiming the affordability exemptions.

- **Member of tax household born or adopted during the year (Code H)** – The months before and including the month that an individual was added to a taxpayer's tax household by birth or adoption. An individual is included in a taxpayer's tax household in a month only if he or she is alive for the full month. Also, if a taxpayer adopts a child during the year, the child is included in a taxpayer's tax household only for the full months that follow the month in which the adoption occurs.
- **Member of tax household died during the year (Code H)** – The months after the month that a member of the tax household died during the year.

There are some other coverage exemptions granted by the Marketplace:

- **General hardship** – Taxpayers experienced hardships, such as bankruptcy or eviction, that prevented them from obtaining coverage under a qualified health plan. Refer to the Volunteer Resource Guide, Tab H, for a complete list of hardships identified by the Marketplace.
- **Members of certain religious sects** – The individual was a member of a religious sect in existence since December 31, 1950, that is recognized by the Social Security Administration (SSA) as conscientiously opposed to accepting any insurance benefits, including Medicare and Social Security.

Taxpayers who are granted a coverage exemption from the Marketplace will receive exemption certificate numbers (ECNs) from the Marketplace.

If taxpayers think they qualify for a coverage exemption, how do they obtain it?

How taxpayers can receive a coverage exemption depends upon the type of exemption for which they are eligible. Some exemptions are granted only by the Marketplace and others are claimed on the tax return.

Some Marketplace exemptions based on hardship may be retroactive.

Taxpayers whose gross income is below their filing threshold are exempt from the individual shared responsibility provision and are not required to file a federal income tax return to claim the coverage exemption. However, if the taxpayer files a return anyway (for example, to claim a refund), he or she can claim a coverage exemption with his or her tax return.

Coverage exemptions are claimed on Form 8965, Health Care Coverage Exemptions.

How are health care coverage exemptions reported?

Enter ECNs for taxpayers who were granted a coverage exemption from the Marketplace in Part I (Marketplace-Granted Coverage Exemptions for Individuals) of Form 8965, column c. Taxpayers will use Part II (Coverage Exemptions for Your Household Claimed on Your Return) of Form 8965 to claim a coverage exemption based on household or gross income below the filing threshold. All other coverage exemptions may be claimed in Part III (Coverage Exemptions for Individuals Claimed on Your Return) of Form 8965.

If the Marketplace has not processed an individual application for a coverage exemption before the tax return is filed, enter “pending” as the ECN in the software. Refer to the Volunteer Resource Guide, Tab H, for more information.

Certain taxpayers who had qualifying health care coverage or a coverage exemption that covered all of 2018 or a combination of qualifying health care coverage and coverage exemption(s) for every month of 2018 can check the “Full-year health care coverage or exempt” box on the front of Form 1040 rather than file Form 8965. Refer to the Form 8965 Instructions for details.

What is the unaffordability exemption?

Coverage is “Unaffordable” when the taxpayer’s contribution toward premiums is more than 8.05 percent of household income. The premium that is measured depends on the taxpayer’s circumstances. Household income also has a unique definition for this exemption.

During the taxpayer interview, determine whether each household member for each month:

- Had coverage
- Had an exemption (other than for unaffordable coverage), or had no coverage or exemption

If the taxpayer or a dependent on the tax return had no coverage and no other exemption, try the exemption for unaffordable coverage. Use one of the following three tests to determine if the exemption applies. If circumstances change during the year, you may need to use a different test that matches the circumstances in the different time period. In all cases, compare the premium to the “affordability threshold,” which is 8.05 percent of household income. Note your findings on the Intake/Interview & Quality Review sheet.

What are the three tests for the unaffordability exemption?

1. *Did the uninsured person have an offer of coverage from his or her own employer?* If no, move to the next test. If yes, compare the employee’s annual premium for the lowest-cost plan for only themselves

(self-only coverage) to the affordability threshold of 8.05 percent of household income. This test is done employee by employee. (If both the taxpayer and spouse have offers from their respective employers, for example, measure the affordability of each offer separately.) The required contribution is the amount that the employee would pay (either pre-tax or after-tax) for the coverage. Compare the annual cost of coverage to the annual income, even if the employee only had the offer of coverage for a full month.

example

Assume no one in Damon's family has coverage or another exemption. Damon is offered coverage from his employer for himself that would cost 8.7 percent of his household income. Because the coverage costs more than 8.05 percent of household income, it is unaffordable and Damon can claim the exemption for himself for all months for which he had this employer offer. No other test is needed. If the coverage had been affordable, Damon would not be eligible for the unaffordable coverage exemption. He would not proceed to the other affordability tests.

2. *Did the uninsured person have an offer of employer coverage as a member of an employee's family?* If no, move to the next test. If yes, compare the employee's annual premium for family coverage to the affordability threshold of 8.05 percent of household income. Use the lowest-cost offer that covers everyone:
(1) who is in the tax family (see Terms You May Need to Know at the end of this lesson), (2) who is eligible for coverage under the terms of the policy, and (3) who doesn't qualify for another coverage exemption. If a family member is excluded (not offered family coverage), that uninsured person would proceed to the third test.

example (continued)

Damon is also offered family coverage that would cover himself, his spouse, and his children. He would have to pay a total of 9.3 percent of his household income for the family policy. The coverage is unaffordable and his children and his wife can claim the exemption. If the coverage had been affordable, Damon's spouse and children would not be eligible for the unaffordable coverage exemption. They would not proceed to the other affordability test.

Although the family offer includes coverage for Damon, his exemption eligibility is based on the affordability of his employer's self-only offer (#1 above), not on the cost of family coverage.

3. *The uninsured person did not have an offer of employer coverage.* If the person did not have an offer of coverage from an employer, the affordability of a plan in the Marketplace is measured. The Marketplace coverage affordability worksheet (from Form 8965) is used to calculate the premium for the lowest cost bronze plan (LCBP), reduced by the premium tax credit a person would have been eligible for, if any. The second lowest cost silver plan (SLCSP) is needed to determine the PTC.

To determine the LCBP, include any person on the tax return who is not offered employer-sponsored insurance and does not qualify for another exemption. Include individuals who are eligible for government-sponsored coverage, such as Medicare or Medicaid. If more than one person in the tax household is seeking an exemption based on Marketplace affordability, test them together. Find the LCBP for the tax year at www.healthcare.gov or at the taxpayer's state-based Marketplace.

example (continued)

Damon has a daughter, age 28, who qualifies as his dependent but did not qualify for her own employer coverage or for his (because of her age). He would test the cost of covering his daughter with a marketplace policy using the MCA worksheet. He would use the lowest cost bronze plan for his daughter only – Damon, his spouse, and his younger children are not included in the cost of the LCBP because they have an employer offer of coverage.

To determine the SLCSP, include the plan cost for anyone in the tax family (see Terms You May Need to Know), who is not eligible for other coverage (other than individual market coverage), and who does not qualify for another exemption. Do not include the premium cost of someone who is eligible for employer coverage, Medicaid or Medicare, for example.

example (continued)

Damon's older daughter is not eligible for coverage from Damon's employer or government-sponsored coverage. Damon would look up the SLCSP premium of his daughter. Again, all other household members are left out because they have an employer offer.

Damon would complete the MCA worksheet calculations and compare the final cost of coverage to his affordability threshold (8.05 percent of income) to determine whether his daughter's coverage was affordable.

How is the affordability threshold computed for the unaffordability exemption?

The affordability threshold is the MAGI (not including untaxed Social Security income) of the taxpayer plus the MAGI of each dependent who is required to file a return plus the cost of any premium that is paid through a salary reduction arrangement (pre-tax medical). The taxpayer can usually find their pre-tax premium amount on their last paycheck stub of the tax year.

What about the cost of other coverage?

Each of the three tests above operate independently of each other and independently of other coverage costs. For example, if the taxpayer pays a premium to enroll her child in a children's health insurance program (CHIP, a form of government-sponsored coverage), that amount is not included.

What are common mistakes with the Marketplace coverage affordability worksheet?

It is important to note the difference between the individuals included in determining LCBP and SLCSP. For example, if a household member has coverage and does not need an exemption while other household members lack coverage, the covered person is included in determining the cost of the LCBP if they have government-sponsored coverage (Medicare, Medicaid, etc.) or an individual policy. They are excluded from the cost of the LCBP if they are eligible for employer-sponsored coverage (either self-only or family) or qualify for another exemption.

The SLCSP premium is used to determine whether the LCBP premium would have been reduced by a PTC, for the purpose of the unaffordability exemption calculation. If a household member is not eligible for PTC, do not include them in the SLCSP premium quote. For example, a member eligible for government-sponsored coverage is not eligible for PTC and is not included in the SLCSP premium quote. If everyone in the household is ineligible for the PTC because the household income is over 400 percent FPL or because the filing status is Married Filing Separately, enter zero for SLCSP premium.

example (continued)

If, instead, Damon's daughter had been eligible for Medicaid, the bronze cost (Line 1) would be the same, but the SLCSP on Line 10 would be zero because the daughter was eligible for coverage outside the individual market, namely government-sponsored Medicaid.

For more information on the unaffordability exemption, refer to Form 8965 and its instructions.

EXERCISES (continued)

Question 7: Randy was covered by Medicaid until February 23rd. He started a new job and his employer-sponsored health coverage started on May 1st. Does an exemption apply? ☐ Yes ☐ No

What is the shared responsibility payment (SRP)?

If a taxpayer (or anyone the taxpayer can claim as a dependent) doesn't have MEC and doesn't qualify for a coverage exemption, the taxpayer will need to make an SRP when filing their tax return.

The software will compute the SRP based on the entries you make. The payment computation is the greater of a percentage of income or a flat dollar amount, but no more than the national average premium for bronze level coverage.

The percentage of income amount is the percentage of the excess portion of household income over the federal income tax filing threshold for the primary tax filer (or joint filers) in the family. The percentage is 2.5 percent for 2018.

The "flat dollar amount" is $695 for tax year 2018. This figure is halved if the individual without coverage is under age 18 as of the beginning of the month.

The maximum flat dollar amount for a family cannot exceed 300 percent of the amount for one adult no matter how many dependents are in the family. For 2018, it's $2,085 per household.

For tax years beginning after December 31, 2018, the SRP is zero.

Who is allowed a premium tax credit (PTC)?

The premium tax credit (PTC) helps eligible taxpayers pay for health insurance. When enrolling in 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 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 person.

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 2018 APTC and PTC are the guidelines published in January 2017, which are the most recently published guidelines at the time of the open season for 2018 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 (continued)

Question 8: 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 9: (Continuing from Question 8) 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 policy 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 2018, the employee's cost for the employer coverage is more than 9.56 percent of projected household income for 2018, 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 9.56 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.

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 household income and 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

If taxpayers are currently enrolled in Marketplace coverage and have a 2018 repayment, they should contact the Marketplace now to adjust the 2019 APTC and avoid similar repayments for the 2019 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 claim the PTC 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%	$775	$1,550
At least 300%, but less than 400%	$1,300	$2,600
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 10: 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 11: 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 2018 MAGI for the PTC calculation even though it is now 2019 and his 2018 tax year has ended? ☐ Yes ☐ No

Question 12: 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 13: 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 8965

D. Form W-2

Question 14: 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. $1,300

C. $1,550

D. $2,600

Question 15: 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?

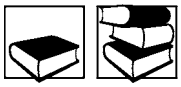
If an individual for whom APTC was paid neither files a tax return for the year the APTC was paid, nor is claimed as a dependent on a tax return for the year the APTC was paid, the taxpayer who indicated to the Marketplace at enrollment that the individual would be in the taxpayer's tax family for the 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. It also includes the individual shared responsibility provision and coverage exemptions from that provision.

In general, individuals must have MEC 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 only by the Marketplace, and some exemptions can be claimed only on a tax return.

Only taxpayers who purchase MEC 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.

Taxpayers who have MEC all year will indicate this on the front of Form 1040 by checking the box. The PTC is claimed on Form 1040, Schedule 5. Any excess APTC that must be repaid is entered on Form 1040, Schedule 2.

Coverage exemptions are claimed on Form 8965. Certain taxpayers who had qualifying health care coverage or a coverage exemption that covered all of 2018 or a combination of qualifying health care coverage and coverage exemption(s) for every month of 2018 can check the “Full-year health care coverage or exempt” box on the front of Form 1040 rather than file Form 8965.

Any SRP is entered on Form 1040, Schedule 4. Taxpayers can use the Shared Responsibility Payment Worksheet in the instructions to Form 8965 to figure the amount of the SRP due or allow the software to make the calculation.

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: *Yes. Employer-sponsored coverage is generally minimum essential coverage. If an employee enrolls in employer-sponsored coverage that provides minimum value for himself and his family, the employee and all of the covered family members have minimum essential coverage.*

Answer 2: *No. They do not have to be covered under the same policy or plan. However, they must all have minimum essential coverage or qualify for a coverage exemption, or Keith and Kathy will owe an SRP when they file a return.*

Answer 3: *Yes. Retiree health plans are generally minimum essential coverage.*

Answer 4: *Yes. Employer-sponsored coverage is minimum essential coverage regardless of whether the employer is a governmental, nonprofit, or for-profit entity.*

Answer 5: *Yes. Because Jessie cannot be claimed as a dependent, she is responsible for her own coverage.*

Answer 6: *Yes. Jessie's parents would be entitled to claim Jessie if she does not provide more than half of her own support and would therefore be responsible for her coverage.*

Answer 7: *Yes. Randy is eligible for the short coverage gap exemption because he was without coverage for less than three months.*

Answer 8: *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 9: *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 10: *Yes. Camilla is eligible for a PTC if she enrolls in coverage through the Marketplace (and is otherwise eligible).*

Answer 11: *Yes, Antonio can make a deductible IRA contribution up until April 15, 2019.*

Answer 12: *No, the coverage must have been purchased through the Marketplace.*

Answer 13: *B. Form 1095-A.*

Answer 14: *B. $1,300. Roger received a $1,500 overpayment of APTC. However, his repayment is limited to $1,300.*

Answer 15: *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 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 (9.56 percent for 2018) of household income reported on the tax return.

Exemption Certificate Number (ECN) – The number the taxpayer received from the Marketplace for the individual listed in Part I (Marketplace-Granted Coverage Exemptions for Individuals) on Form 8965, column c.

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 2018 are based on the 2017 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.

Incarceration exemption – The taxpayer can claim a coverage exemption for a member of the tax household for any month in which the individual was incarcerated for at least 1 day in the month. An individual is incarcerated if he or she was confined, after the disposition of charges, in a jail, or similar penal institution or correctional facility. This includes detention in a juvenile facility, but not home detention.

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.

Lowest cost bronze plan (LCBP) – Used in the Marketplace Affordability Worksheet (for the unaffordable coverage exemption). For this purpose, use the lowest cost bronze plan available through the Marketplace that covers everyone in the tax household:

- Who is in the tax family,
- Who isn’t eligible for employer coverage, and
- Who doesn’t qualify for another coverage exemption

For information on the lowest cost bronze plan for the tax household, visit www.HealthCare.gov/tax-tool or contact the Marketplace serving your area.

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. These individuals qualify for the Resident of a State That Did Not Expand Medicaid exemption from the shared responsibility payment.

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.

Modified Adjusted Gross Income (MAGI) for SRP and coverage exemptions – MAGI is a taxpayer's adjusted gross income plus his or her untaxed foreign earned income and tax-exempt interest.

National Average Bronze Plan Premium (NABPP) – This figure is used to determine the maximum shared responsibility payment (SRP) amount.

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.

Shared responsibility payment (SRP) – If the taxpayer or any other member of the tax household has neither minimum essential coverage nor an exemption for any month during the tax year, the taxpayer must compute and pay the shared responsibility payment. An individual filing a return who can be claimed as a dependent by another taxpayer is not responsible for the SRP.

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.

Tax household – For purposes of Form 8965, includes the taxpayer, the taxpayer's spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also generally includes each person the taxpayer can, but does not, claim as a dependent.

Unaffordable coverage – For purposes of qualifying for a coverage exemption on Form 8965 for 2018, coverage is unaffordable if the individual's required contribution is more than 8.05 percent of household income. Note: The Marketplace uses a higher percentage (9.56 percent for 2018) to determine whether an employer coverage offer is unaffordable and to determine the taxpayer's eligibility for PTC (or APTC if a Marketplace is making the determination).