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 glossary is included at the end of the lesson to help you understand terms related to ACA.

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 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 or exchanges. We will refer to them 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 premium tax credit (PTC) is available through the Marketplace and helps eligible taxpayers 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.

What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Form 8962 & Instructions
- Form 8965 & Instructions
- Form 1095-A & Instructions
- Publication 974
- Publication 17

Optional

- Publication 5120
- Publication 5121
- Publication 5156
- Publication 5172
- Form 1095-B & Instructions
- Form 1095-C & Instructions
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 claimed as a dependent on the tax return if they don’t have MEC or a coverage exemption. A taxpayer is liable for each person the taxpayer can, but does not, claim as a dependent.

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.

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, ACA tab, 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, ACA Tab, for software entries.
EXERCISES

Please use the Minimum Essential Coverage Chart in Publication 4012, ACA tab, 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, 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 the employer offered. 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.

**TIP**

Notice 2016-70 extends the due date for certain 2016 information-reporting requirements. Specifically, this notice extends the due date for furnishing to individuals the 2016 Form 1095-B, Health Coverage, and the 2016 Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, from January 31, 2017 to March 2, 2017.
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, they are not required; 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 MEC for some or all months during the year, but volunteers should rely primarily on their interview with the taxpayer.

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:

- 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 glossary) 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 generally apply on a monthly basis:

- **Short coverage gap** – 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 in March through the end of the year, they could claim the gap exemption for January and February and then claim the incarceration exemption for March through December.

  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 2015 through February 2016 (who is not eligible for another exemption for October through December 2015) does not qualify for the coverage gap exemption for tax year 2016 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 2016 through January 2017 would qualify for the exemption for tax year 2016.

- **Citizens living abroad and certain noncitizens** – 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;
  - 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 more information about who is treated as lawfully present for purposes of this coverage exemption, visit www.healthcare.gov.

- **Incarceration** – 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** – Taxpayer’s household income was below 138% of the federal poverty line for the family size and at any time in 2016 the individual resided in a state that didn’t participate in the Medicaid expansion under the Affordable Care Act.

• **Member of tax household born, adopted, or died** – During 2016, a child was added to a taxpayer’s household by birth or adoption, or a member of the tax household died during the year, and the taxpayer cannot check the full-year coverage check-box on the tax return.

• **Members of federally recognized Indian tribes** – 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.

• **Unaffordable coverage** – The required contribution is more than 8.13% of household income.

• **Aggregate self-only coverage considered unaffordable** – Two or more family members’ aggregate cost of self-only employer-sponsored coverage was more than 8.13% of household income, as was the cost of any available employer-sponsored coverage for the entire family.

There are other coverage exemptions granted by the Marketplace:

• **General hardship** – Taxpayers experienced hardships that prevented them from obtaining coverage under a qualified health plan. Refer to the Volunteer Resource Guide, ACA tab, 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.

• **Coverage considered unaffordable based on projected income** – Taxpayer did not have access to coverage that is considered affordable based on the taxpayer’s projected household income.

**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, others are claimed only on a tax return, and some exemptions may be obtained from the Marketplace or claimed on the tax return.

Taxpayers whose gross income is below their applicable minimum threshold for filing a federal income tax return 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?**

Taxpayers who are granted a coverage exemption from the Marketplace will receive exemption certificate numbers (ECNs) from the Marketplace. Enter their ECNs 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. Use a separate line for each individual and exemption type claimed on the return.
If the Marketplace has not processed an individual application for a coverage exemption before the tax return is filed, complete Form 8965, Part I and enter “pending” in column c for each applicable individual.

**TIP**

If the Marketplace has not processed an individual application for a coverage exemption before the tax return is filed, complete Form 8965, Part I and enter “pending” in column c for each applicable individual.

**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, they 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, to put it as simply as possible, 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 increases to 2.5% for 2016 and is adjusted for years after 2016.

The “flat dollar amount” is $695 for tax year 2016. After that, a cost-of-living adjustment will apply to the flat dollar amount each year. These figures are 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% of the amount for one adult no matter how many dependents are in the family. For 2016, it’s $2,085 per household or $695 x 3.

Compare the flat dollar amount and the income percentage amount and use the greater of the two amounts. The resulting amount is capped at the National Average Bronze Plan Premium.

The individual shared responsibility payment is the greater of the flat dollar amount or the percentage of income amount, but never more than the national average premium for the bronze level plan.

This ensures that the payment amount is never more than the approximate cost of basic coverage for a year.

In the example below, determine the SRP due for 2016. These amounts will be indexed for inflation for years after 2016.
example

Single individual with $40,000 income:

Jim, an unmarried 30-year-old with no dependents, did not have MEC for any month during 2016 and does not qualify for a coverage exemption. For 2016, Jim’s household income was $40,000 and his filing threshold is $10,350.

- To determine his monthly payment amount using the income formula, subtract $10,350 (filing threshold) from $40,000 (2016 household income). The result is $29,650. Two and a half percent of $29,650 equals $741.

- Jim’s flat dollar amount is $695.

Because $741 is greater than $695, Jim’s monthly penalty amount for each month is $61.75, or 1/12 of the $741 amount. For Jim, the sum of all monthly penalty amounts is $741.

Because this amount is less than the sum of the monthly national average bronze plan premiums, Jim’s SRP for 2016 is $741, the lesser of the sum of the monthly penalty amounts or the sum of the monthly national average bronze plan premiums. Jim will make his SRP for the months he was uninsured when he files his 2016 income tax return.

This lesson provides an overview of the health coverage exemptions under the ACA.

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, 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 at some time during the year in one or more qualified health plans offered through the Marketplace.

- One or more of the individuals listed above were not eligible for MEC, other than coverage in the individual market, during one or more months they were enrolled in the qualified plan through the Marketplace.

- The portion of the premiums for the plan or plans in which the taxpayer and his or her family members enroll is 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% but not more than 400% of the federal poverty line for the taxpayer’s family size. The following exceptions allow a taxpayer with household income below 100% of the federal poverty line to be an applicable taxpayer, provided the taxpayer meets the other applicable 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 for enrollment of a family member in a Marketplace plan.
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 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 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 2016 are the guidelines published in January 2015, which are the most recently published guidelines at the time of the open season for 2016 enrollments). The FPL tables are in the Volunteer Resource Guide, ACA tab.

**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 $7,000, 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.

**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 other individuals for whom the taxpayer claims a personal exemption deduction. 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 who is eligible for employer-sponsored coverage is not eligible for a PTC for coverage purchased in the Marketplace for those months, even if he or she 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, 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 2016, the employee’s cost for the employer coverage is more than 9.66 percent of household income, the Marketplace will conclude that the employer coverage is unaffordable. The affordability test used by the Marketplace for family members who are eligible for coverage from the employer is the same as the test for a employee (compare the cost of the employee’s self-only coverage to household income). However, if a Marketplace determines that, based on projected household income, the employer coverage would be unaffordable (this determination is made when the Marketplace determines whether an individual is eligible by, for example, granting APTC), the employer coverage is considered unaffordable for the employer’s plan year even if it would have been affordable based on the household income reported on the tax return. This is referred to as the employee safe harbor.

If a household member actually enrolls in the employer plan, 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 employer coverage.

Please see the Volunteer Resource Guide, ACA tab, for the current year Poverty Guidelines.
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 on September 1st. Since Cedric became eligible for employer-sponsored coverage on September 1st, he may be able to claim a PTC only for the months January through August.

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 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 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 that was determined to be unaffordable.

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 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.

If a Marketplace makes a determination or assessment that an individual is 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). Accordingly, if the taxpayer was enrolled in both Medicaid coverage and in a qualified health plan for which APTC were made for one or more months of the year following a Marketplace determination or assessment that they were 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.

A taxpayer may have a limited time to obtain Medicare, during which time they remain eligible for PTC. See Publication 974 for details.

If APTC is being paid for coverage in a qualified health plan and the taxpayer becomes eligible for government coverage that is effective retroactively (such as Medicaid or CHIP), the taxpayer will not be considered eligible for the government coverage until the following month after the date of approval. The taxpayer can get the PTC for coverage until the first day of the first calendar month after he or she is approved for the government coverage.
A person is considered eligible for other MEC and not eligible for a PTC for a month 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 continues to be eligible for a PTC for that month. The person will not be eligible for PTC for the following month. Thus, 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% 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.

Taxpayers may choose to:

- Have some or all of the estimated credit paid in advance to the insurance company to lower what is paid for monthly premiums; or
- Pay all the premiums and get all the benefit of the credit when they file their tax return

The amount of advance credit payments 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 and not eligible for other minimum essential coverage). If it 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 do a shared policy allocation to determine the correct SLCSP premium (because more than one tax family is 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 constitutes 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 enrolled in the same qualified health plan for all 12 months of the year and who have the same applicable SLCSP premium for all 12 months can do a single, annual calculation to compute their PTC. See the Volunteer Resource Guide, ACA tab, 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 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
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. This will be reported in the Payments section of Form 1040, 1040A, or 1040NR. If the APTC payments are more than the PTC (excess APTC), some or all of the difference will increase the amount owed and result in either a smaller refund or a balance due. This will be entered in the Tax and Credits section of the return. There may be a limitation on the amount of excess APTC repayment for a taxpayer with household income below 400 percent of the FPL. The limitation is based on the taxpayer’s household income as provided in the repayment limitation table, below.

Repayment Limitation Table

<table>
<thead>
<tr>
<th>Household Income Percentage of Federal Poverty Line</th>
<th>Limitation Amount for Single</th>
<th>Limitation Amount for all other filing statuses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200%</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>At least 200%, but less than 300%</td>
<td>$750</td>
<td>$1,500</td>
</tr>
<tr>
<td>At least 300%, but less than 400%</td>
<td>$1,275</td>
<td>$2,550</td>
</tr>
<tr>
<td>400% or more</td>
<td>No limit</td>
<td>No limit</td>
</tr>
</tbody>
</table>

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.

Taxpayers who chose to forego the full amount of advance credit payments will get all of the benefit of their PTC on their tax return. This will either increase their refund or lower the balance due.
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% of the FPL for a family of 1 (see the Volunteer Resource Guide, ACA tab). Since Brandon’s household income is above 400% 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 buy coverage through the exchange?  □ Yes  □ No

**Question 11:** You are completing the return for Antonio, who purchased health coverage on the exchange and received the benefit of APTC. In completing Form 8962, you note that Antonio’s MAGI is 401% 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 2016 MAGI for the PTC calculation even though it is now 2017 and his 2016 tax year has ended?  □ Yes  □ No

**Question 12:** Piper’s income is 300% 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% of the FPL but under 400% 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. $1,275
C. $1,500
D. $2,550

**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 have a shared 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 a personal exemption deduction for 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 personal exemption by another tax family
- A taxpayer who files a separate return from his or her spouse

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

What about an individual the taxpayer enrolled for whom no taxpayer will claim a personal exemption?

If the taxpayer indicated to the Marketplace at enrollment that he or she would claim the personal exemption for an individual (including him- or herself) but no taxpayer claims a personal exemption for the individual, the taxpayer must report any 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 year, the spouses may be eligible to use an alternative calculation to determine their excess advance credit payments. 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?

The 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, some exemptions can be claimed only on a tax return, and some exemptions may be granted by the Marketplace or claimed on a return.

Only taxpayers who purchase MEC through the Marketplace for themselves or a family member 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 Form 1040 by checking the box in the Other Taxes section. The PTC is claimed in the Payments section of Form 1040. Any excess APTC that must be repaid is entered in the Tax and Credits section of the Form 1040.

Coverage exemptions are claimed on Form 8965.

Any SRP is entered on Form 1040, in the Other Taxes section. 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
• Form 8962 Parts IV and V
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 will claim her own exemption, 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 gross 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 now 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 can buy coverage through the exchange.

**Answer 11:** Yes, Antonio can make a deductible IRA contribution up until April 18, 2017.

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

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

**Answer 14:** B. $1,275. Roger received a $1,500 overpayment of APTC. However, his repayment is limited to $1,275.

**Answer 15:** C. Judy is eligible for the PTC from January through July.
Glossary

Adopted children – There is a health coverage exemption if, during 2016, a child was added to the taxpayer’s household by birth or adoption, or a member of the tax household died during the year, and the taxpayer can’t check the full-year coverage check-box on the tax return.

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.

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% and 400% 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.

A taxpayer with household income below 100% 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.

Bronze level health plan – A type of health insurance that pays, on average, 60 percent of a taxpayer’s health care expenses. The taxpayer pays the other 40 percent of health care expenses in the form of copayments, coinsurance, and deductibles.

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.

Dependents of more than one taxpayer – The tax household does not include someone that can, but is not, claimed as a dependent if the dependent:

- is properly claimed on another taxpayer’s return, or
- can be claimed by another taxpayer with higher priority under the tie-breaker rules.

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. Abuse of the victim’s child or any family member living in household may constitute abuse of the victim. See Publication 974 for a list of documentation that the taxpayer should retain.

Dual enrollment – 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.

Employee safe harbor – If the 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 would have been affordable based on the household income reported on the tax return.

Exchange – See Marketplace.
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.

Family – For the purposes of Form 8962, tax family consists of the individuals for whom a taxpayer claims a personal exemption on the tax return (generally the taxpayer, spouse if filing a joint return, and dependents).

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

Family size – For the purposes of the premium tax credit, family size includes the individuals for whom the taxpayer claims a personal exemption deduction on the tax return (taxpayer, spouse if filing a joint return, and dependents).

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.

Foreign coverage – In general, coverage through a group health insurance provided by a foreign employer to its employees and related individuals is minimum essential coverage (MEC). Individuals with such coverage should see Publication 974, Premium Tax Credit (PTC). However, coverage purchased directly from a foreign health insurance issuer or provided by the government of a foreign country does not qualify as MEC unless recognized as MEC by the Department of Health and Human Services (HHS). To find out if HHS has recognized particular forms of foreign coverage as MEC, go to www.irs.gov/uac/Individual-Shared-Responsibility-Provision.

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 (advance credit payments), and to file an accurate tax return.

Form 1095-B – Used to report certain information to the IRS and to taxpayers about individuals who are covered by minimum essential coverage and therefore are not liable for the individual shared responsibility payment.

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

Health Insurance Marketplace – See Marketplace.

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.

Incarceration – 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.

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 may be eligible for insurance premium subsidies for coverage offered through the Marketplace.

MAGI – See Modified Adjusted Gross Income.

Marketplace (also: Exchange, Health Insurance 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 in order to claim the premium tax credit unless the taxpayer meets one of the following two exceptions:

- Exception 1 (Head of Household filing status). If taxpayer was not divorced or legally separated at the end of the year, he or she is considered unmarried if all of the following apply:
  - The taxpayer lived apart from the spouse for the last 6 months of the year. (Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.)
  - The taxpayer files a separate return from his or her spouse.
  - The taxpayer paid over half the cost of keeping up his or her home for the year.
  - The taxpayer’s home was the main home of the taxpayer’s child, stepchild, or foster child for more than half of the year. (Temporary absences for special circumstances, such as for school, vacation, medical care, military service, and detention in a juvenile facility, count as time lived in home.)
  - The taxpayer can claim the child as a dependent or could claim the child as a dependent except that the child’s other parent can claim him or her under the rule for children of divorced or separated parents.

- 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 certifies on the return that the taxpayer 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 who make up to 138% of the federal poverty level. 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 with states. As a result, some states have not expanded their Medicaid programs. Many adults in those states with incomes below 100% 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 certain income that is not subject to tax (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 certain income that is not subject to tax (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 (Exchange).

Qualified health plan – A health plan certified by the Department of Health and Human Services to be offered through the Marketplace. Qualified health plans offered through the Marketplace must be one of four tiers, or “metal levels” – bronze, silver, gold, or platinum. Individuals and families can choose from a variety of qualified health plans, as well as catastrophic plans for young adults and those without affordable options.

Recognized religious sect – A member of a recognized religious sect can obtain an exemption from the Marketplace so they will not owe an SRP. For purposes of the exemption, a religious sect must be in existence since December 31, 1950, and recognized by the Social Security Administration (SSA) as conscientiously opposed to accepting any insurance benefits, including Medicare and Social Security benefits.

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 but not claiming their own exemption (because they can be claimed by another taxpayer) is not responsible for 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. See Publication 974 for documentation that the taxpayer should retain.

Tax family – For the purposes of Form 8962, tax family consists of the individuals for whom the taxpayer claims a personal exemption on the tax return (generally the taxpayer, spouse with whom the taxpayer is filing a joint return, and 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 Form 8965 for 2016, coverage is unaffordable if the individual’s required contribution is more than 8.13% of household income. Note: The Marketplace uses a higher percentage (9.66% for 2016) 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).