



## Lesson Plan

### Affordable Care Act

Time Required: 30 minutes

Introduction	Objectives	Topics
<p>The 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.</p> <p>You will also learn how to determine if taxpayers are eligible to receive the premium tax credit.</p>	<p>Determine what is minimum essential coverage (MEC)</p> <p>Determine if taxpayers qualify for a health care coverage exemption</p> <p>Calculate the shared responsibility payment</p> <p>Determine who is eligible for the premium tax credit</p> <p>Calculate the premium tax credit</p> <p>Report taxpayers' health insurance coverage, premium tax credit, exemption from coverage, or shared responsibility payment on the tax return</p>	<p>Minimum Essential Coverage</p> <p>Exemptions from Health Coverage</p> <p>Individual Shared Responsibility Payment</p> <p>U.S. Citizens Living Abroad</p> <p>Premium Tax Credit</p> <p>Claiming the Premium Tax Credit</p> <p>Calculating the Premium Tax Credit</p> <p>Reporting Coverage or Exemptions</p>

### Key Terms

**Applicable taxpayer:** 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.

**Exemption Certification 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.

**Form 1095-A, Health Insurance Marketplace Statement:** 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.

**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.

**Marketplace, (Exchange or 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.

**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 the purposes of Form 8965, MAGI is the taxpayer’s adjusted gross income plus certain income that is not subject to tax (foreign earned income and tax-exempt interest).

**Premium tax credit:** A tax credit for certain people who enroll in a qualified health plan offered through a Marketplace (Exchange). The credit reduces the amount of tax the taxpayer owes. It may also give the taxpayer a refund or increase the refund.

If applicable, the taxpayer is allowed a credit amount for any month during the year that the taxpayer or one or more of the family members [spouse or dependent(s)] were enrolled in one or more qualified health plans through a Marketplace and not eligible for other minimum essential coverage.

**Shared responsibility payment (SRP):** If the taxpayer or any other member of the tax household did not have either minimum essential coverage or an exemption for any month during the tax year, the taxpayer must compute 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.

**Unaffordable coverage:** For purposes of Form 8965, 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%) 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).

## Teacher Tips

### Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	<b>Share</b> link to Student Landing Page	<b>Internet:</b> Show Student landing page and go over skill check
Provide details and engage the students	<b>Discuss</b> all tips and cautions in detail. <b>Ask</b> students to read and/or role-play examples.	<b>Internet:</b> Link & Learn Taxes (L&LT) Affordable Care Act

### Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<b>Review</b> lesson objectives. <b>Review</b> list of references. <b>State</b> the presentation time of 30 minutes. <b>Review</b> the Key Terms in the lesson. <b>Review</b> Form 13614-C, page 3, Part VI <b>Point out</b> that those taxpayers who do not have minimum essential coverage and do not qualify for an exemption will make a shared responsibility payment on their tax return.	<b>Visuals:</b> <a href="#">Form 13614-C</a> , page 3, Part VI Pub 4012, ACA tab <b>Internet:</b> Tax Topic: <a href="#">Affordable Care Act Provisions for Individuals and Families</a> Tax Topic: <a href="#">The Individual Shared Responsibility Provision</a>
Minimum Essential Coverage (MEC)	<b>Ask:</b> What is minimum essential coverage? <b>Direct</b> students to Pub 4012, ACA tab, Minimum Essential Coverage. <b>Review</b> Minimum Essential Coverage chart in Pub 4012, ACA tab. <b>Point out:</b> This provision applies to each month in the calendar year. Individuals are treated as having minimum essential coverage (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.	<b>Visuals:</b> <a href="#">Form 1040</a> , line 61 Pub 4012, ACA tab: <a href="#">Minimum Essential Coverage</a>

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Exemptions from Health Coverage

**Review** topic Exemptions from Health Coverage.

**Visuals:**

[Form 8965](#)

**Point out** that taxpayers may be exempt from the requirement to maintain minimum essential coverage and will not have to make a shared responsibility payment if they meet certain criteria.

Pub 4012, ACA tab:

- [Health Care Exemptions](#)

**Review** Pub 4012, ACA tab, Health Care Exemptions.

**Review** Form 8965, Health Care Exemptions.

**Explain:** Taxpayers who received an exemption from the Marketplace will enter their certificate number on Form 8965 in Part I, column c. Part II is for taxpayers claiming an exemption due to income below the filing threshold. All other exemptions are claimed in Part III. Use a separate line for each individual and exemption type claimed on the return.

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Reporting Coverage or Exemptions

**Review** topic the Premium Tax Credit Form 8962 job aid from Pub 4012.

**Explain** where to report coverage or exemptions:

- The premium tax credit is calculated and the advance 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 did not have minimum essential coverage for any month during the year and can claim a coverage exemption will use Form 8965.
- The tax software will calculate the SRP amount due. Volunteers and taxpayers may also calculate this amount using the worksheets located in the Form 8965 Instructions.
- The SRP amount due is reported on Form 1040, line 61 in the Other Taxes section.
- The premium tax credit is claimed in the Payments section of the Form 1040.
- Any excess advance payments of the premium tax credit is entered in the Tax and Credits section of the Form 1040.

**Visuals:**

Pub 4012, ACA tab:

[Premium Tax Credit Form 8962](#)

[Form 8962](#)

[Form 1095-A](#)

[Form 1040](#)

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Individual Shared Responsibility Provision

**Review** topic Individual Shared Responsibility Payment.

**Point out** that the individual shared responsibility provision calls for taxpayers to have minimum essential health coverage

- For each month
- Qualify for an exemption or
- Make a SRP payment when filing their federal income tax return

**Point out** a taxpayer is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes. All children generally must have MEC or qualify for a coverage exemption for each month in the year.

**Internet:**

Tax Topic: [Individual Shared Responsibility Provision](#)

YouTube video: [Individual Shared Responsibility Overview](#)

Shared  
Responsibility  
Payment

**Review** Shared Responsibility Payment job aid from Pub 4012.

**Explain:** 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.

**Explain:** Calculating the payment requires the taxpayer's household income and tax return filing threshold.

**Discuss:** For 2016, the monthly penalty amount is:

- 1/12 of the greater of:
  - 2.5% of the household income that is above the tax return filing threshold for the taxpayer's filing status, or
  - 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 premium for a bronze level health plan that is offered through the Marketplace and provides coverage for the applicable family size involved.

**Review** the examples on the Tax Topic for the Individual Shared Responsibility Provision – Calculating the Payment.

**Visuals:**

Pub 4012, ACA tab, [Federal Tax Filing Requirement Thresholds](#)

Pub 4012, ACA tab, [Shared Responsibility Payment](#)

**Internet:**

Tax Topic: [The Individual Shared Responsibility Provision – Calculating the Payment](#)

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Premium Tax Credit

**Review** topic Premium Tax Credit Eligibility.

**Ask:** What is the Premium Tax Credit?

**Ask:** Who is allowed a premium tax credit?

**Answer:** Refer to the subtopic Who is allowed a Premium Tax Credit?

**Point out** eligibility for the premium tax credit for 2016 is based on the 2015 federal poverty lines.

**Direct** students to Pub 4012, ACA tab, Federal Poverty Line charts.

**Remind** volunteers a taxpayer's household income is the total of the taxpayer's modified adjusted gross income (MAGI), the taxpayer's spouse's MAGI if married and filing a joint return, and the MAGI of all dependents required to file a federal income tax return.

**Review:** 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.

**Visual:**

Pub 4012, ACA tab:  
[Federal Poverty Lines](#)

**Internet:**

Tax Topic: [The Premium Tax Credit](#)

YouTube video: [Premium Tax Credit Changes in Circumstances](#)

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Calculating the  
Premium Tax  
Credit

**Review** topic Calculating the Premium Tax Credit.

**Ask:** Can taxpayers receive the premium tax credit in advance? **Answer:** Yes, taxpayers can decide to have all or some of the estimated credit paid in advance directly to their insurance company.

**Review** Form 8962, Premium Tax Credit

**Ask:** Where do you find the information needed to compute the PTC? **Answer:** The information on Form 1095-A is used to compute the premium tax credit.

**Point out:** The Marketplace will send taxpayers Form 1095-A, showing the amount of their monthly premiums and advance credit payments, by January 31 of the year following the year of coverage.

**Review** Form 1095-A, Health Insurance Marketplace Statement

**Discuss** changes during the year that affect the amount of the premium tax credit.

- Household income changes
  - Marriage
  - Divorce
  - Birth or adoption
  - Changes in household composition
  - Gaining or losing based on government or employer-sponsored healthcare coverage
  - Change of address
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**Visuals:**

[Form 8962](#), Part 1

[Form 1095-A](#)

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Claiming the  
Premium Tax  
Credit

**Review** topic Claiming the Premium Tax Credit.

**Ask:** Do taxpayers who received the benefit of advance premium tax credit payments need to file a tax return? **Answer:** Yes, taxpayers claim the premium tax credit on the tax return. Taxpayers who received advance credit payments must file a tax return even if they otherwise are not required to file. Remember, the premium tax credit is only available to taxpayers who purchased health coverage through the Marketplace.

**Ask, True or False?** If the premium tax credit is more than the advance credit payments made on the taxpayer's behalf during the year, the difference will increase the refund or lower the amount of tax owed. **Answer:** True. This is reported in the Payments section of Form 1040.

**Review** the example in this topic.

**Point out** changes in circumstances, such as taxpayers who have separated or divorced and have a shared policy, may require the taxpayer to complete Form 8962, Part IV or V, which is out of scope for VITA.

**Direct** students to Pub 4012, ACA tab.

**Visuals:**

[Form 8962](#), Parts 2-4

[Form 1040](#), line 69

Pub 4012, ACA tab

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Practice  
Exercises

**Review** the Practice Exercises with the class.

**Visuals:**

Pub 4491 Appendix: ACA Exercises

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References	
L&LT	Affordable Care Act
Form 1040	<a href="#">Form 1040</a>
Form 1040 Instructions	<a href="#">Form 1040 Instructions</a>
Form 13614-C	<a href="#">Form 13614-C</a> , Intake/Interview & Quality Review Sheet, Page 2, Part III
Form 8962	<a href="#">Form 8962</a> , Premium Tax Credit
Form 8962 Instructions	<a href="#">Form 8962 instructions</a>
Form 1095-A	<a href="#">Form 1095-A</a> , Health Insurance Marketplace Statement
Form 8965	<a href="#">Form 8965</a> , Health Coverage Exemptions
Form 8965 Instructions	<a href="#">Form 8965 instructions</a>
Pub 4012	Pub 4012, Volunteer Resource Guide, ACA tab <a href="#">Minimum Essential Coverage</a> <a href="#">Federal Poverty Lines</a> <a href="#">Shared Responsibility Payment</a> <a href="#">Federal Tax Filing Requirement Thresholds</a> <a href="#">Health Care Exemptions</a>

### Recommended Classroom Activities



**Skills Workout**



**Certification Warm Up**



**Media: Videos & Audio**



**TaxSlayer Tutorial**



**Job Aids**



**Practice Lab**



#### Skills Workout: [Link & Learn Taxes Income – Affordable Care Act](#)

Click Skills Workout as a new way to access Link & Learn Taxes Lesson Affordable Care Act.



#### Certification Warm Up –Exercises

Certification Warm Up is a new way to access the Exercises in Link & Learn Taxes



#### Media: Video & Audio for Lesson

YouTube video: [Premium Tax Credit Changes in Circumstances](#)

YouTube video: [Individual Shared Responsibility Overview](#)



## TaxSlayer Tutorial

Practice Lab Tutorial

From the [Practice Lab](#), select:

1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
2. Sign in to Practice Lab or create an account.
3. Select the appropriate tutorial.



## Job Aids

### ITA and FAQs for Lesson

Tax Topics

Affordable Care Act Provisions for Individuals and Families

<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Individuals-and-Families>

The Premium Tax Credit

<http://www.irs.gov/uac/The-Premium-Tax-Credit>

The Individual Shared Responsibility Provision

<http://www.irs.gov/uac/Individual-Shared-Responsibility-Provision>

The Individual Shared Responsibility Provision – Calculating the Payment

<http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment>



## Practice Lab

Practice Lab

<https://vita.taxslayerpro.com/IRSTraining>