



ACA: Everything You Need to Know

Part III – Premium Tax Credits

Tara Straw

November 18, 2014

- Basics on the premium tax credit
- Walk through Form 8962
- Show examples and common situations you are likely to encounter

New!

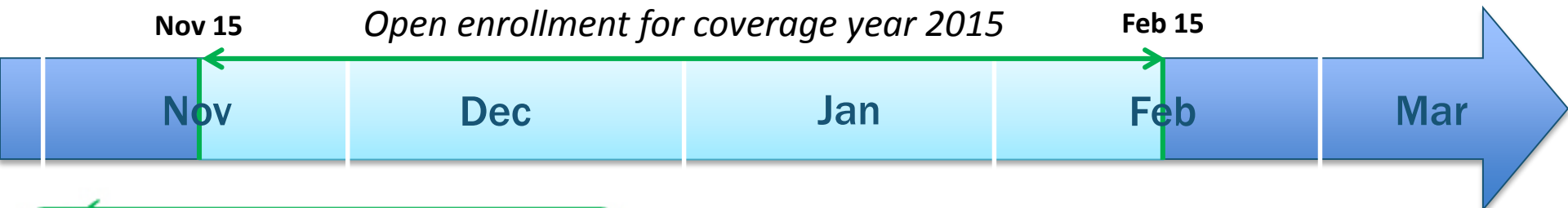
Final forms are posted for:

- Form 8962, Premium Tax Credit <http://www.irs.gov/pub/irs-pdf/f8962.pdf>
- Form 8965, Exemptions <http://www.irs.gov/pub/irs-pdf/f8965.pdf>

What are Premium Tax Credits?

What are premium tax credits (PTC)?

- The PTC is a tax credit that helps lower the cost of private health coverage for people purchasing insurance in a **Health Insurance Marketplace**
 - Some states rely on the federal Marketplace (healthcare.gov). Other states have their own Marketplace. The same rules apply.
- ***Who can buy insurance in the Marketplace?***
 - Most people can purchase insurance in the Marketplace, but not everyone qualifies for PTC.
 - A person cannot buy Marketplace insurance if they are incarcerated or an undocumented immigrant.
 - Insurance can be purchased only:
 - During open enrollment, or
 - Based on specific changes in circumstances, such as marriage, birth of a child or losing job-based coverage.



Eligibility Criteria for Premium Tax Credits (PTC)

To receive a premium tax credit, a person must:

1. **Enroll in a Marketplace plan**
2. **Have income between 100 and 400 percent of the federal poverty line (FPL)**
 - Individual: \$11,690 - \$46,760 Family of four: \$23,850 - \$95,400
 - Exception 1: People who are estimated to have income between 100-400% FPL at the time of application, enroll in a plan, and receive advanced payments of PTC, but who have income below 100% FPL at the end of the year.
 - Exception 2: Lawfully present immigrants with income under the poverty line are eligible for PTCs if they are ineligible for Medicaid because of their immigration status. For example, some Lawful Permanent Residents (LPR) who have been in the U.S. for fewer than 5 years.
3. **Have an eligible filing and dependent status**
 - Cannot be Married Filing Separately (*exceptions for abused or abandoned spouses)
 - Cannot be a dependent (whoever claims the child's exemption can claim their PTC)
4. **Be ineligible for other minimum essential coverage (MEC)**
 - Not *eligible for* Medicare or most Medicaid/CHIP or most employer-sponsored coverage (regardless of whether the person is actually enrolled)

Application Process

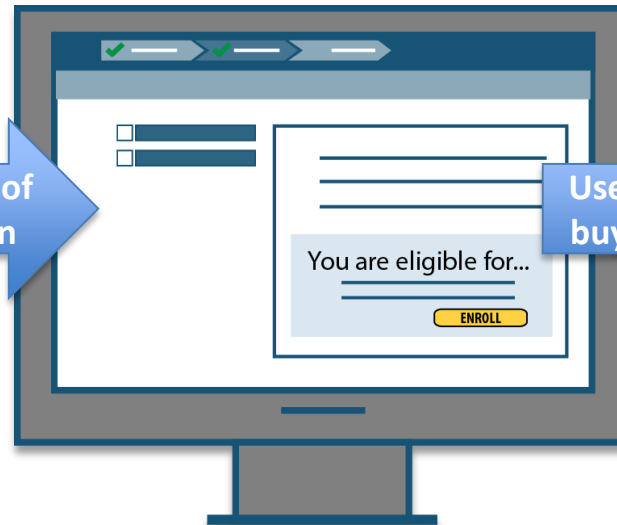
STEP 1: Application

Health Application

- ✓ Marketplace
- ✓ Medicaid
- ✓ CHIP

Verification of
information

STEP 2: Determine PTC Amount



Use PTC to
buy a plan

STEP 3: Compare plans

Plan A BlueChoice HSA Bronze			
Monthly Premium	Deductible	OOP Max	Copayments / Coinsurance
\$	\$	\$	≡

Plan B Kaiser Permanente 2500/30 Silver			
Monthly Premium	Deductible	OOP Max	Copayments / Coinsurance
\$	\$	\$	≡

Plan C Cigna Health Flex 5000 Silver			
Monthly Premium	Deductible	OOP Max	Copayments / Coinsurance
\$	\$	\$	≡

Calculating the PTC



Premium Tax
Credit



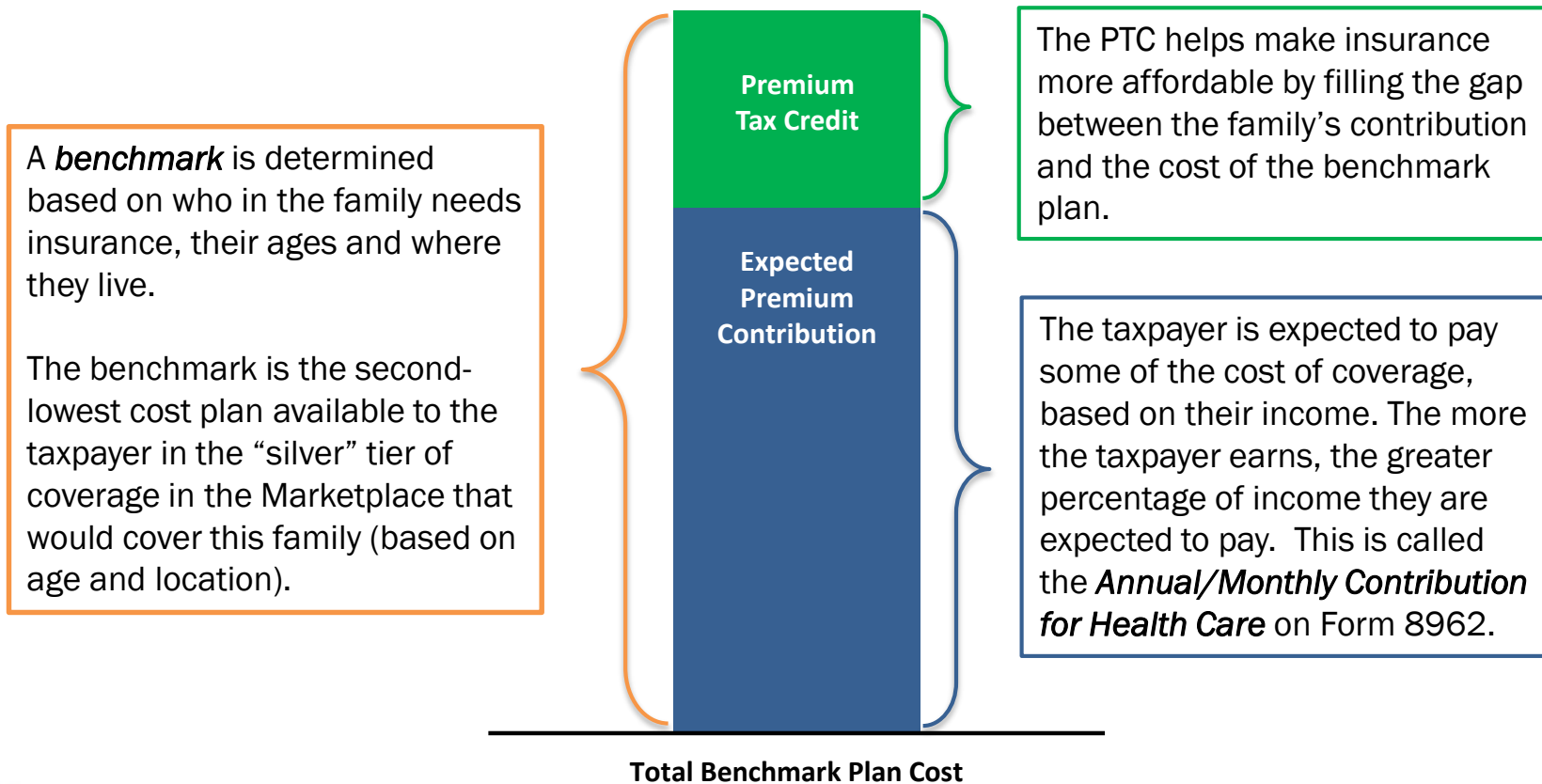
Cost of
Benchmark Plan



Expected Premium
Contribution

How is the PTC amount determined?

- The PTC is not calculated based on the plan the taxpayer buys; instead, it is based on a mid-tier benchmark plan for the family, given the ages and geographic location of the people who wish to enroll.
- The benchmark is the second-lowest cost silver plan in the Marketplace (SLCSP)



Calculating the PTC

PTC Varies Based on Your Benchmark



John:

Income: **\$23,340**
(200% FPL)

John's Contribution:
6.34% or \$1,480

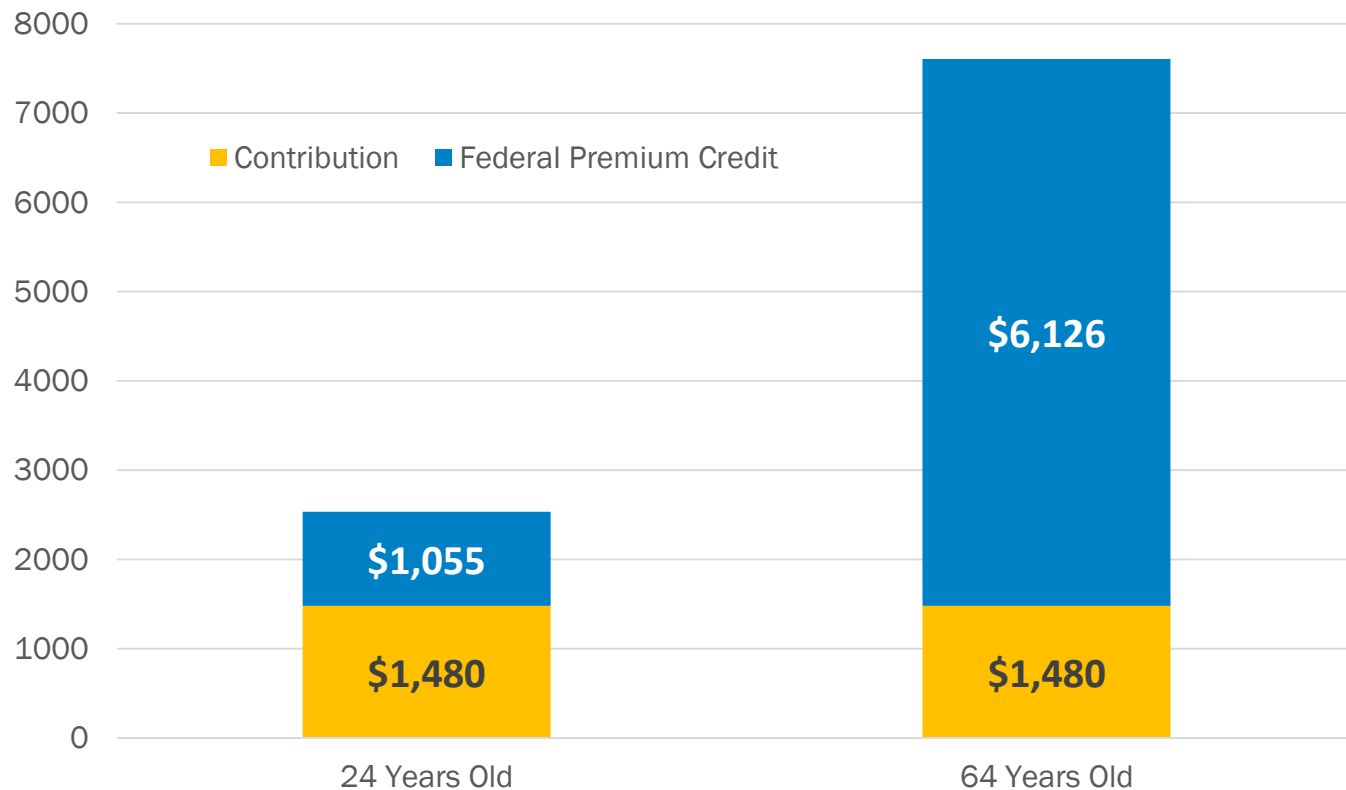
This number is based
on tax family's FPL.

Age 24

SLCSP Premium (benchmark): **\$2,535**
John's Contribution: **\$1,480**
Premium Credit: **\$1,055**

Age 64

SLCSP Premium (benchmark): **\$7,606**
John's Contribution: **\$1,480**
Premium Credit: **\$6,126**

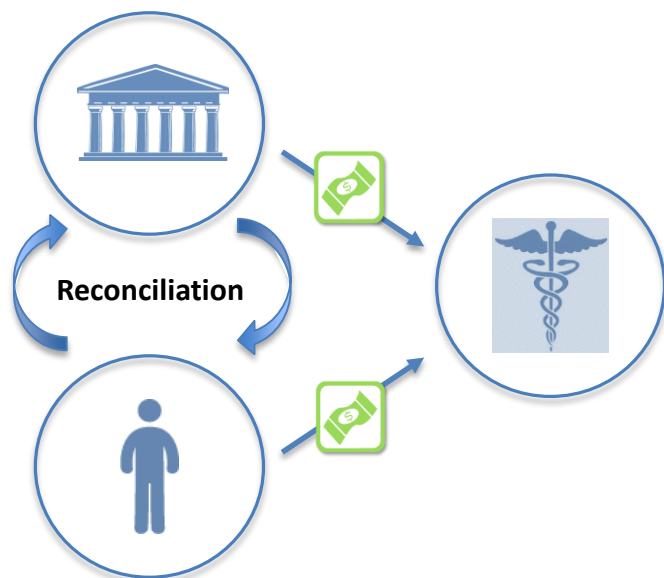


How is a PTC claimed?

- Advanced payment of the PTC are made based on the Marketplace's determination of the taxpayer's expected household and income (modified AGI, or MAGI) for the year during the application process.
- The actual PTC is claimed on the tax return.
- The credits can be taken:

In advance

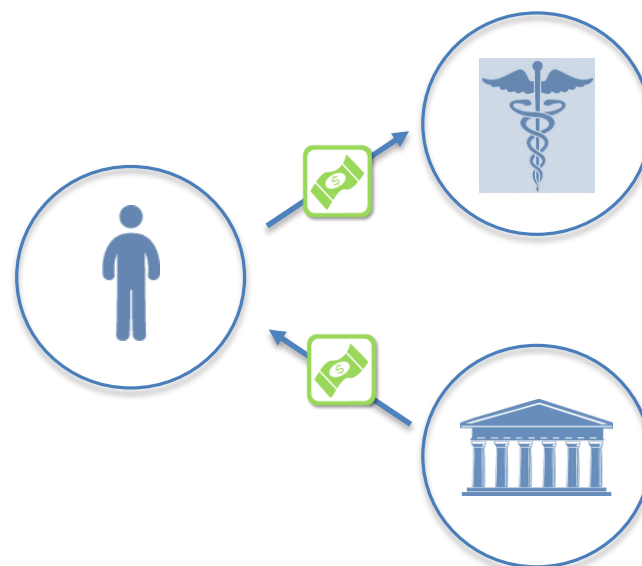
Forwarded to the insurer
monthly to reduce premiums



or

At tax time

Claimed as a lump
sum at the end of the year



Receiving Too Much or Too Little in Advance Payments of PTC

- If no PTC is taken in advance, or if only a portion of the PTC is claimed in advance, the remainder may be claimed on the tax return. The PTC is **refundable**.
- If a taxpayer receives excess PTC in advance, some or all of it must be paid back.

REPAYMENT LIMITS ON APTC		
Income (as % of FPL)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	Full repayment	Full repayment

PTC at Tax Filing

Who Must File Form 8962

File Form 8962 if:

- Any member of the tax family received PTC in advance, or
- The taxpayer received advanced payment of PTC for someone they *thought* would be claimed as a dependent but *is not* claimed and no one else claims that individual's personal exemption, or
- A member of the tax family purchased insurance in the Marketplace and did not receive PTC in advance but wishes to claim it now.

If a person received any PTC in advance, they must file a tax return!

Form 8962, Part I

Family size: Taxpayer, spouse and dependents

Form **8962**

Premium Tax Credit (PTC)

OMB No. 1545-0074

2014
Attachment
Sequence No. **73**

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

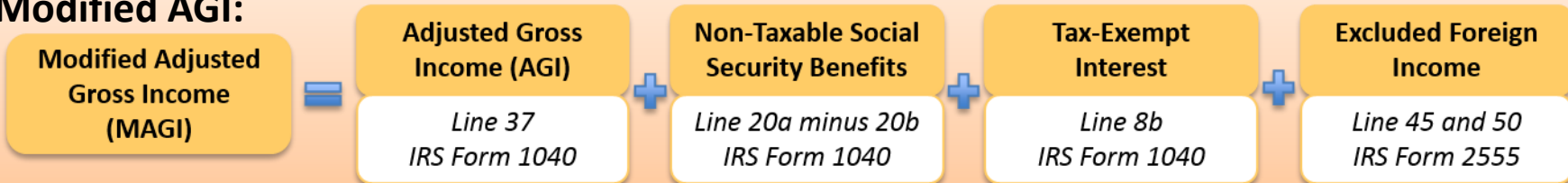
Name shown on your return	Your social security number	Relief (see instructions) <input type="checkbox"/>
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Part 1: Annual and Monthly Contribution Amount

1 Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d	1	
2a Modified AGI: Enter your modified AGI (see instructions)	2a	
b Enter total of your dependents' modified AGI (see instructions)	2b	
3 Household Income: Add the amounts on lines 2a and 2b	3	
4 Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC	4	
5 Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)	5	%
6 Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.		
7 Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7	
8a Annual Contribution for Health Care: Multiply line 3 by line 7	8a	
b Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount	8b	

Form 8962, Part I

Modified AGI:



Include the income of a dependent in 2b only if the dependent has a filing requirement

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.
▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

2014
Attachment
Sequence No. 73

Name shown on your return _____ Your social security number _____ Relief (see instructions)

Part 1: Annual and Monthly Contribution Amount

1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d	1	
2a	Modified AGI: Enter your modified AGI (see instructions)	2a	
b	Enter total of your dependents' modified AGI (see instructions)	2b	
3	Household Income: Add the amounts on lines 2a and 2b	3	
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC	4	
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)	5	%
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.		
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7	
8a	Annual Contribution for Health Care: Multiply line 3 by line 7	8a	
b	Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount	8b	

Form 8962, Part I

Measure income on the **Federal Poverty Line** scale.

- Income must be above 100% but below 400% FPL
- If income is below 100% FPL, PTC is allowable if:
 - 1) The Marketplace estimated income above 100% at application and PTC was received in advance based on this estimate, *or*
 - 2) Lawfully present individual is ineligible for Medicaid due to immigration status.

Department of the Treasury Internal Revenue Service		▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962 .		Sequence No. 73		
Name shown on your return			Your social security number		Relief (see instructions) <input type="checkbox"/>	
Part 1: Annual and Monthly Contribution Amount						
1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d				1	
2a	Modified AGI: Enter your modified AGI (see instructions)	2a	b	Enter total of your dependents' modified AGI (see instructions)	2b	
3	Household Income: Add the amounts on lines 2a and 2b				3	
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC				4	
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)				5	%
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.					
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions				7	
8a	Annual Contribution for Health Care: Multiply line 3 by line 7		8a	b Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount		8b

Form 8962, Part I

Annual contribution for health care:

- The amount a family is expected to contribute toward their own premium cost
- Also calculated on a monthly basis

Form 8962		Premium Tax Credit (PTC)		OMB No. 1545-0074				
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040A, or 1040NR.		2014 Attachment Sequence No. 73				
Name shown on your return		Your social security number		Relief (see instructions) <input type="checkbox"/>				
Part 1: Annual and Monthly Contribution Amount								
1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d				1			
2a	Modified AGI: Enter your modified AGI (see instructions)	2a		b	Enter total of your dependents' modified AGI (see instructions)	2b		
3	Household Income: Add the amounts on lines 2a and 2b				3			
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC				4			
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)				5	%		
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.							
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions				7			
8a	Annual Contribution for Health Care: Multiply line 3 by line 7		8a		b	Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount	8b	

Line 9

- **Shared policies:** Might happen when an older child (<26) is on the same policy as his parents but is not their dependent, or when someone was predicted to be a dependent at application but is not.
- **Marriage:** The change in household and income can substantially change the PTC. There is a special calculation.

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

- 9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)
 Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. No. Continue to line 10.
- 10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21–32, columns A and B?
 Yes. Continue to line 11. Compute your annual PTC. Skip lines 12–23 No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24.

Annual Calculation	A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	A. Monthly Premium Amount (Form(s) 1095-A, lines 21–32, column A)	B. Monthly Premium Amount of SLCSP (Form(s) 1095-A, lines 21–32, column B)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21–32, column C)
12 January						
13 February						
14 March						
15 April						
16 May						

Form 8962, Part II

Line 10

- Determines whether PTC can be calculated on an annual basis or must be done monthly
- Most people who have PTC will need a monthly calculation

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

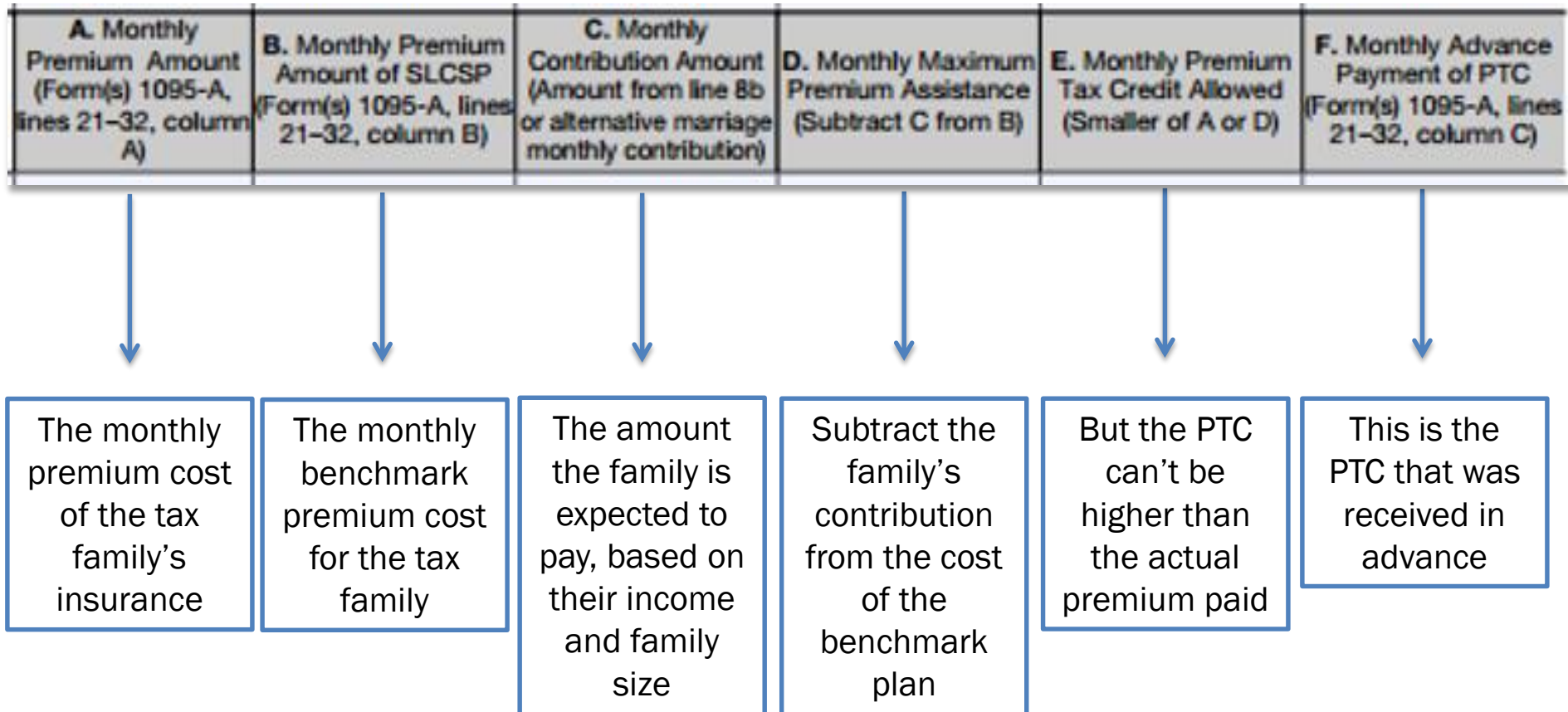
9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)

Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. No. Continue to line 10.

10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21–32, columns A and B?

Yes. Continue to line 11. Compute your annual PTC. Skip lines 12–23 and continue to line 24. No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24.

Annual Calculation	A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	A. Monthly Premium Amount (Form(s) 1095-A, lines 21–32, column A)	B. Monthly Premium Amount of SLCSP (Form(s) 1095-A, lines 21–32, column B)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21–32, column C)
12 January						
13 February						
14 March						
15 April						
16 May						



How will a tax preparer know any of this information?

Form 1095-A	Health Insurance Marketplace Statement			OMB No. 1545-2232
Department of the Treasury Internal Revenue Service	▶ Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a .		<input type="checkbox"/> CORRECTED	2014
Part I Recipient Information				
1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name		
Part II Coverage Household				
A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
Part III Household Information				
Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit	
21 January				
22 February				

What should the taxpayer do if the form is wrong?

- Call the Marketplace, not the IRS!

Line 24

Total Premium Tax Credit: The credit the taxpayer is entitled to receive

Line 25

Advance Payment of PTC: The amount of PTC already received

24	Total Premium Tax Credit: Enter the amount from line 11E or add lines 12E through 23E and enter the total here .	24	
25	Advance Payment of PTC: Enter the amount from line 11F or add lines 12F through 23F and enter the total here .	25	
26	Net Premium Tax Credit: If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If you elected the alternative calculation for marriage, enter zero. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 .	26	

24	Total Premium Tax Credit: Enter the amount from line 11E or add lines 12E through 23E and enter the total here .	24	
25	Advance Payment of PTC: Enter the amount from line 11F or add lines 12F through 23F and enter the total here .	25	
26	Net Premium Tax Credit: If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If you elected the alternative calculation for marriage, enter zero. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 .	26	

Line 26

- If Line 24 is greater than Line 25, the taxpayer will receive the excess as a payment.
- If Line 25 is greater than Line 24, the taxpayer will repay some or all of the amount received in advance.

Repayment of PTC Received in Advance

Part 3: Repayment of Excess Advance Payment of the Premium Tax Credit

27	Excess Advance Payment of PTC: If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here	27	
28	Repayment Limitation: Using the percentage on line 5 and your filing status, locate the repayment limitation amount in the instructions. Enter the amount here	28	
29	Excess Advance Premium Tax Credit Repayment: Enter the smaller of line 27 or line 28 here and on Form 1040, line 46; Form 1040A, line 29; or Form 1040NR, line 44	29	

REPAYMENT LIMITS ON APTC

Income (as % of FPL)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	Full repayment	Full repayment

Examples

Example: John (Single Filer)

John:		
Single	Modified AGI: \$23,340	Has 1095-A



Form 1095-A Department of the Treasury Internal Revenue Service	Health Insurance Marketplace Statement ▶ Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a	<input type="checkbox"/> CORRECTED	OMB No. 1545-2232 2014
Part I Recipient Information			
1 Marketplace identifier John Smith	2 Marketplace-assigned policy number #####	3 Policy issuer's name Big Ins Co.	

Part II Coverage Household				
A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16 John Smith	###-##-####	2-10-90	4/1/2014	12/31/2014

Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit
21 January			
22 February			
23 March			
24 April	\$220	\$211	\$75
25 May	\$220	\$211	\$75

Example: John (Single Filer)

Form 8962		Premium Tax Credit (PTC)		OMB No. 1545-0074		
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040A, or 1040NR.		2014 Attachment Sequence No. 73		
▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962 .						
Name shown on your return		Your social security number		Relief (see instructions) <input type="checkbox"/>		
Part 1: Annual and Monthly Contribution Amount						
1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d				1	1
2a	Modified AGI: Enter your modified AGI (see instructions)		2a	23,340	b	Enter total of your dependents' modified AGI (see instructions)
2b						
3	Household Income: Add the amounts on lines 2a and 2b				3	23,340
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input checked="" type="checkbox"/> Other 48 states and DC				4	11,490
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)				5	203 %
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%) <input checked="" type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.					
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions				7	.0641
8a	Annual Contribution for Health Care: Multiply line 3 by line 7		8a	1,496	b	Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount
8b						125

Example: John (Single Filer)

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

- 9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)
 Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. **✗ No. Continue to line 10.**
- 10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21-32, columns A and B?
 Yes. **Continue to line 11.** Compute your annual PTC. Skip lines 12-23 and continue to line 24.
✗ No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.

Annual Calculation	A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	A. Monthly Premium Amount (Form(s) 1095-A, lines 21-32, column A)	B. Monthly Premium Amount of SLCSP (Form(s) 1095-A, lines 21-32, column B)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21-32, column C)
12 January						
13 February						
14 March						
15 April	220	211	125	86	86	75

24 Total Premium Tax Credit: Enter the amount from line 11E or add lines 12E through 23E and enter the total here .	24	774
25 Advance Payment of PTC: Enter the amount from line 11F or add lines 12F through 23F and enter the total here .	25	675
26 Net Premium Tax Credit: If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If you elected the alternative calculation for marriage, enter zero. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 .	26	99



Enter on Form 1040, Line 69

But wait...there's more!

John only had Marketplace insurance from April to December 2014. Did he have insurance January, February and March?

If uninsured, consider exemptions:

- Code G – Gap before insurance effective before May 1.

Form **8965** **Health Coverage Exemptions** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service **2014**
 Attach to Form 1040, Form 1040A, or Form 1040EZ. **Attachment Sequence No. 75**
 ▶ Information about Form 8965 and its separate instructions is at www.irs.gov/form8965.
 Name as shown on return Your social security number

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

Part I Marketplace-Granted Coverage Exemptions for Individuals: If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			

Part III

Coverage Exemptions for Individuals Claimed on Your Return: If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8	John Smith	###-##-####	G		X	X	X									
9																
10																

Yes No
 Yes No
 for tax

n Oct o Nov p Dec

11																
12																
13																

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 37787G

Form 8965 (2014)



Why Might the Projected PTC to Differ from the Final PTC

- Income
 - Especially people with multiple jobs, part-time work, or self-employment
- Household
 - Size
 - Composition
- Change in marital status
- Filing status

Example: Income Higher than Initial Projection



When He Applied:

Household MAGI: \$27,000 (235% FPL)

Expected contribution: 7.52% of income (\$2,032)

Benchmark (SLCSP): \$2,756

Projected PTC Calculation:

\$2,756 (benchmark) - \$2,032 (expected contribution) = \$724

PTC taken in advance: \$724

John wins \$5,000 in a fantasy football prize league!

He doesn't realize it's taxable and doesn't report the change.

On His 1040:

Household MAGI: \$32,000 (279% FPL)

Expected contribution: 8.88% of income (\$2,842) ↑ [Calculated on Form 8962]

Benchmark (SLCSP): \$2,756

PTC calculation: [Transferred from Form 1095-A to 8962, Lines 11-23, Col. B]

\$2,756 (benchmark) - \$2,842 (expected contribution) = 0 ↓

PTC: \$0 [Form 8962, Line 24 - Total PTC]

Advanced payments: \$724 [Form 8962, Line 25 - Advance Payments]

Repayment cap: \$750 [Form 8962, Line 28 - Repayment Limitation]

Result: He needs to repay the full amount of \$724.

Example: Income Falls Under 100% FPL

Lisa lives with her son, Jackson. She is divorced from Jackson's dad, David. Lisa and David alternate claiming Jackson as a dependent on their tax returns. Lisa expects David to claim their son in 2014.

When She Applied:

Family size: 1 (Lisa)

Household income: \$15,400 (134% FPL for a household of 1)

Expected contribution: 3.06%

PTC Taken in Advance: \$2,668

David fails to pay child support. As a result, Lisa does not permit David to claim their son as a dependent.

On Her 1040:

Family size: 2 (Lisa & Jackson)

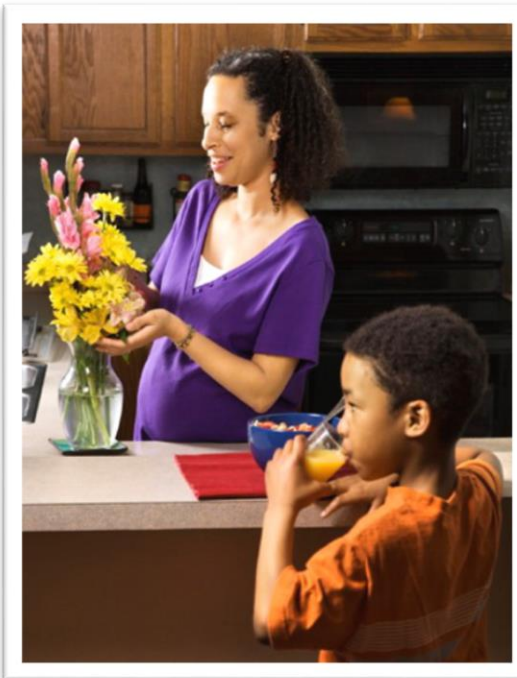
Household income: \$15,400 (99% FPL for a household of 2)

Expected contribution: 2%

PTC: \$2,831

Net Premium Tax Credit: \$163

Result: An additional \$163 added to Lisa's tax payments.



Lisa's income fell below 100% FPL, but this doesn't cause her to lose her PTC because:

- She enrolled through the Marketplace
- When she applied, her income was estimated at >100% FPL

Example: Dependent income

Jill (62) lives with Ryan, her 16-year-old grandson, and claims him as a tax dependent. She files as head of household. (Jill lives in a non-expansion state.)

- \$18,000 – Jill’s income
- \$7,000 – Ryan’s income from Social Security survivors’ benefits (*not counted*)
- Jill is uninsured; Ryan is enrolled in Medicaid

When She Applied:

Household income: \$18,000 (116% FPL for a HH of 2)

Expected contribution: 2%

PTC Taken in Advance: \$6,924



Ryan works during the summer and earns \$6,500! Now he has a filing requirement and all of his income is included in MAGI.

On Her 1040 (at tax time):

Household income: \$31,500 (203% FPL for a HH of 2)

Expected contribution: 6.41%

PTC: \$5,265

Result: Jill has a final PTC of \$5,265. Because of the increase in MAGI, she received \$1,659 in excess PTC. Her repayment is capped at \$1,500.

Example : Married person, separated

Chuck is separated from his wife but not divorced. They will not file taxes together in 2015. Chuck has an adult son, Michael, who is unemployed, has no income and is living with Chuck. They both need health insurance.



When Chuck applies for Marketplace coverage:

- Chuck assumes that he will qualify as Head of Household because he supports his dependent son, who plans to live with him for more than half the year, and he plans to be living apart from his wife in the last six months of 2014.
- Chuck and Michael qualified for PTC and enrolled in a QHP.

At the end of the year:

- Michael doesn't qualify as Chuck's dependent. He gets a job and earns too much to be Chuck's dependent for the tax year.
- Because his son is no longer his dependent, Chuck no longer qualifies as Head of Household. His filing status is Married Filing Separately.

What do you do?

Example: Married person, separated

How do we help Chuck?

- He isn't Head of Household.
- Confirm that he doesn't qualify for an exception to the joint filing requirement
 1. **Is he a victim of abuse?** To qualify for the abuse exception, he must:
 - Live apart from his spouse, and
 - Be unable to file a joint return because the taxpayer is a victim of domestic abuse
 2. **Is he abandoned?** To qualify for the abandonment exception, he must:
 - Live apart from his spouse
 - Be unable to locate spouse after using due diligence
- If he meets either qualification to take PTC despite being Married Filing Separately, check the box for "Relief" at the top of the 8962.



Form 8962 Department of the Treasury Internal Revenue Service Name shown on your return	Premium Tax Credit (PTC) ▶ Attach to Form 1040, 1040A, or 1040NR. ▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962 .	OMB No. 1545-0074 2014 Attachment Sequence No. 73
	Your social security number	Relief (see instructions) <input checked="" type="checkbox"/>

Example: Married person, separated

How do we help Chuck?

- You determine that neither exception applies.
- Chuck is ineligible for PTC and will need to repay it.
- His repayment depends on:
 - How the premium is divided between Chuck and his son, Michael, who is now a taxpayer and was also covered under the plan, and
 - His repayment cap, based on income.



Allocation

- Chuck receives a 1095-A that covers him and his son.
- The benchmark (SLCSP) is for a family of two.
- As separate households now, they need to recalculate their benchmarks as separate households, so each has a benchmark for a single person.

How? Stay tuned....

Special rules come into play when:

- Taxpayers marry, divorce or separate
- An individual is enrolled by one taxpayer but claimed as a personal exemption by another taxpayer

What can a tax preparer tell a person with a repayment?

- Try to determine why their advanced payment was too high:
 - Did they make an error in estimating their or their dependent's income?
 - Was there an error in calculating family size?
 - Do you suspect the Form 1095-A is incorrect?
 - Has their filing status changed?
 - Has a dependent joined or left the family?
- Encourage taxpayers to take less than the maximum advance payment of PTC.
- Remind taxpayers to report mid-year changes in income and family size to the Marketplace.
- If the taxpayer has Marketplace coverage for 2015, encourage them to report their most recent income/dependent information to the Marketplace to prevent a repeat for tax year 2015!
 - Many people who enrolled in Marketplace coverage in 2014 were auto-renewed at their 2014 PTC level. If that PTC amount was incorrect, it will be incorrect for 2015, too.

Contact Info

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For more information and resources, please visit:
[*Health Reform: Beyond the Basics – For Tax Preparers*](#)

This is a project of the Center on Budget and Policy Priorities, www.cbpp.org