VITA/TCE Basic Certification
Topics on Affordable Care Act

Current as of November 20, 2017
Agenda

Webinar #1 – Basic Certification Topics
- Minimum essential coverage
- Shared responsibility payment
- Exemptions

Webinar #2 – Advanced Certification Topics
- Reconciling the premium tax credit
- Complex 1095-A issues
- Review tips
MEC & SRP Refresher
What does the ACA require?

- Coverage
- Exemption
- SRP
## Minimum Essential Coverage (MEC)

### Minimum Essential Coverage

**One day of coverage = a covered month**

<table>
<thead>
<tr>
<th>Employer-Sponsored Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group coverage</td>
</tr>
<tr>
<td>COBRA coverage</td>
</tr>
<tr>
<td>Retiree coverage</td>
</tr>
</tbody>
</table>

**Individual Market Coverage**

- Purchased through the Marketplace, an insurance company, or as a student health plan

**Government-Sponsored Programs**

- Medicare
- Most Medicaid
- CHIP
- Most TRICARE
- DoD Nonappropriated Fund Health Benefits Program
- Peace Corps coverage

**Certain Other Coverage**

Pub 1040, Tab H-5
Health Insurance Questionnaire

Did you or your family have health insurance at any time in 2017?

- Yes
- No

Verify Your Household Members

If you have additional family members that are neither a spouse nor a dependent, click "Add a New Household Member."

If you need to add or remove dependents, click here to go to Personal Information.

Add New Household Member

<table>
<thead>
<tr>
<th>Name</th>
<th>SSN</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMER GORDON</td>
<td>611-00-1111</td>
<td>3/11/1995</td>
</tr>
<tr>
<td>JOE GORDON</td>
<td>116-00-1112</td>
<td>3/3/1997</td>
</tr>
</tbody>
</table>

Add New Household Member
TaxSlayer Screens

Months Insured

Was your entire household insured for all 12 months of 2017? *

- Yes
- No

Please enter the number of months insured for each household member.

<table>
<thead>
<tr>
<th>Name</th>
<th>Months Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMER GORDON</td>
<td>9</td>
</tr>
<tr>
<td>JOE GORDON</td>
<td>0</td>
</tr>
</tbody>
</table>

Months Insured - SUMMER GORDON

Specify the 9 months that SUMMER GORDON had minimum essential coverage

- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December

ACA: What Tax Preparers Need to Know
Shared Responsibility Payment (SRP)

- Everyone in a household must have minimum essential coverage or an exemption from the coverage requirement.
- If they do not, they owe an individual shared responsibility payment, or penalty, for every month they are uninsured.
- The flat amount increases each year by a cost-of-living adjustment.
- *New:* IRS will not accept electronic returns that omit health coverage information.
Calculating the SRP: Filing Single (2017)

- **SRP (in 2017)**
- **Household Income**

### Penalties
- **Flat Fee**: $695 (for 1 adult)
- **2.5% of Income**
  - $10,400 (tax filing threshold, filing single)
  - $38,200

### No Penalty
- Income below $10,400

**ACB: What Tax Preparers Need to Know**

Current as of 11-16-2017
Example: John

Calculating the Penalty
- Income: $17,000
- Filing Status: Single
- Adults: 1
- Children: 0
- Months uninsured: 7
- Tax filing threshold in 2017: $10,400

<table>
<thead>
<tr>
<th>Step</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>$17,000 - $10,350 = $6,600</td>
<td>$6,600</td>
</tr>
<tr>
<td></td>
<td>x 2.5%</td>
<td>$58</td>
</tr>
<tr>
<td></td>
<td>$165/12 = $14</td>
<td>$14</td>
</tr>
<tr>
<td>2.</td>
<td>$695 x 1 adult = $695/12 = $58</td>
<td>$58</td>
</tr>
<tr>
<td></td>
<td>$406</td>
<td>John’s penalty for 2017</td>
</tr>
</tbody>
</table>

$6,600 x 2.5% x 7 = $406
Page 4 of the SRP worksheet tells who the payment is calculated for.
Page 5 of the SRP worksheet tells which method was used to calculated the payment (flat fee or percentage of income).
### TaxSlayer – Shared Responsibility Payment

#### Instructions
- All others:
  - Single or
  - Married filing
  - Separately, $6,350
  - Married filing
  - Jointly or
  - Qualifying widow(er), $12,700
  - Head of
  - Household, $9,350

#### Add lines 44, 45, and 46
47. Add lines 44, 45, and 46
48. Foreign tax credit. Attach Form 1116 if required
49. Credit for child and dependent care expenses. Attach Form 2441
50. Education credits from Form 8863, line 19
51. Retirement savings contributions credit. Attach Form 8880
52. Child tax credit. Attach Schedule 8812, if required.
53. Residential energy credit. Attach Form 5695
54. Other credits from Form: a □ 3800 b □ 8801 c □
55. Add lines 48 through 54. These are your total credits
56. Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-

#### Other Taxes
- Self-employment tax. Attach Schedule SE
57. Self-employment tax. Attach Schedule SE

#### Unreported social security and Medicare tax from Form: a □ 4137 b □ 8919
58. Unreported social security and Medicare tax from Form: a □ 4137 b □ 8919
59. Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
60a. Household employment taxes from Schedule H

- Health care: individual responsibility (see instructions) Full-year coverage □
61. Health care: individual responsibility (see instructions) Full-year coverage □
62. Taxes from: a □ Form 8995 b □ Form 4950 c □ Instructions, enter code(s)
63. Add lines 54 through 62. This is your total tax
64. Federal income tax withheld from Forms W-2 and 1099
64. Federal income tax withheld from Forms W-2 and 1099
65. 2017 estimated tax payments and amount applied from 2016 return
66a. Earned income credit (EIC)
66a. Earned income credit (EIC)
66b. Nontaxable combat pay election
66b. Nontaxable combat pay election
67. Additional child tax credit. Attach Schedule 8812
67. Additional child tax credit. Attach Schedule 8812
68. American opportunity credit from Form 8863, line 8
68. American opportunity credit from Form 8863, line 8
69. Net premium tax credit. Attach Form 8962
69. Net premium tax credit. Attach Form 8962
70. Amount paid with request for extension to file
70. Amount paid with request for extension to file
71. Excess social security and tier 1 RRTA tax withheld
71. Excess social security and tier 1 RRTA tax withheld
72. Credit for federal tax on fuels. Attach Form 4136
72. Credit for federal tax on fuels. Attach Form 4136
73. Credits from Form: a □ 2439 b □ Reserved c □ 8885 d □
73. Credits from Form: a □ 2439 b □ Reserved c □ 8885 d □
74. Add lines 64, 65, 66a, and 67 through 73. These are your total payments
74. Add lines 64, 65, 66a, and 67 through 73. These are your total payments
75. If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid
75. If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid

#### ACA: What Tax Preparers Need to Know
- [Checkmark]

Current as of 11-16-2017
EXEMPTIONS
Exemptions from the Coverage Requirement

Three Types of Exemptions:

- **Marketplace-Granted Exemptions:**
  - Must be applied for by mail, often with supporting documentation.
  - Approved exemptions get an Exemption Certificate Number (ECN) for the tax return.
  - If a taxpayer appears eligible and applies for an exemption, but it hasn’t yet been approved, write “pending” in place of ECN.

- **Household Exemption on the Tax Return:**
  - If household or gross income is below filing threshold.

- **Individual Exemptions on the Tax Return:**
  - Claimed directly on the tax form with no supporting documentation.
Do you qualify for Health Care Exemptions?

To determine if you can claim the "Coverage is Unaffordable" exemption, you must enter the following premium values from your Form 8965 Worksheet. Use the link below to determine the premium amounts. If you already know this return would not qualify to claim the "Coverage is Unaffordable" exemption, please select continue below to continue through the Health Insurance menu.

**Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)**

$ 

**Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)**

$

Click here to obtain the LCBP and SLCSP premium amounts to enter above.
Click here to determine if you can claim a health coverage exemption.

[Continue]
Income Below Filing Threshold

Household income for Line 7 and SRP

- **Adjusted Gross Income (AGI)**
  - Form 1040, Line 37
- **Tax-Exempt Interest**
  - Form 1040, Line 8b
- **Excluded Foreign Income**
  - Form 2555, Lines 45, 50
- **Dependent Income**
  - Only if the dependent has a filing requirement

Gross income for Line 7

All income received in the form of money, goods, property and services that is not exempt from tax, including any income sources outside the U.S. or from the sale of your main home (even if you can exclude part or all of it)

- Include only the taxable portion of Social Security benefits
- Include income or gains but not expenses or losses from Schedules C, D and F
- Do not include income of any dependents
• TaxSlayer will determine eligibility for the household and gross income exemption.

• The exemption will appear on Form 8965, whether or not you answered Yes to the question “Did you qualify for an exemption...?”
IRS Exemptions: Form 8965, Part III

Health Care Exemption Certificates

You do not qualify to claim the coverage exemption for household or gross income below the filing threshold, but if you received exemption certificates or can claim another coverage exemption, answer Yes below and then continue.

Did you qualify for an exemption due to circumstances or receive an exemption certificate from the marketplace? *

☐ Yes
☐ No

Click here to determine if you can claim a health coverage exemption.

IRS Individual Exemptions:

Use Part III to claim exemptions for individual household members

• Can be claimed monthly or for entire year
• A person can be eligible for multiple exemptions during the year, but only report one exemption per month.
• If a person is eligible for exemption for one day of the month, they can claim it for the entire month.
## IRS Exemptions: Form 8965, Part III

<table>
<thead>
<tr>
<th>Coverage Exemption</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance is considered unaffordable</strong> – Lowest premium would have cost more than 8.16% of household income</td>
<td>A</td>
</tr>
<tr>
<td><strong>Short coverage gap</strong> – Uninsured for less than 3 consecutive months</td>
<td>B</td>
</tr>
<tr>
<td><strong>Citizens living abroad and certain noncitizens</strong> – Includes people who are not lawfully present</td>
<td>C</td>
</tr>
<tr>
<td><strong>Members of a health care sharing ministry</strong></td>
<td>D</td>
</tr>
<tr>
<td><strong>Members of an Indian tribe or eligible for services through an Indian health care provider or the Indian Health Service</strong></td>
<td>E</td>
</tr>
<tr>
<td><strong>Incarceration</strong></td>
<td>F</td>
</tr>
<tr>
<td><strong>Aggregate self-only coverage is considered unaffordable</strong> – Total cost of two or more family members’ aggregate self-only coverage is more than 8.16% of household income</td>
<td>G</td>
</tr>
<tr>
<td><strong>Resident of a state that did not expand Medicaid</strong></td>
<td>G</td>
</tr>
<tr>
<td><strong>Member of the tax household born or adopted or died during the year</strong></td>
<td>H</td>
</tr>
</tbody>
</table>
Health Care Exemption Certificates

You do not qualify to claim the coverage exemption for household or gross income below the filing threshold, but if you received exemption certificates or can claim another coverage exemption, answer Yes below and then continue.

Did you qualify for an exemption due to circumstances or receive an exemption certificate from the marketplace? *
- Yes
- No

Health Insurance/Exemption

Name of Individual *
- SUMMER GORDON

Do you have a marketplace-issued certificate for this exemption or going to apply for an exemption from the marketplace? *
- Yes
- No

Exemption Type on the return
- Please Select –

Indicate full year or specify months for which you qualify to take the exemption.
- Full Year
- January
- February
- March
- April
### IRS Exemptions: Short Coverage Gap

<table>
<thead>
<tr>
<th>Short coverage gap</th>
<th>Uninsured for less than 3 consecutive months</th>
</tr>
</thead>
</table>

- **A coverage gap of less than 3 months (so, 1 or 2 months).** If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption. Apply to the first gap in coverage.

  **Example:** If Bob is uninsured January 1 to March 31, the exemption does not apply to any of those months because the gap is not less than 3 months.

- **A person is considered to have coverage for the entire month if they have coverage for one day in the month.**

  **Example:** If Bob is uninsured January 5 to April 28, the exemption does apply for February and March. He is considered insured in January and April so there are only 2 months in the gap.

- **Months covered by another exemption are treated like months with coverage.**

  **Example:** Bob has coverage January to March, is uninsured in April and May, and is eligible for the affordability exemption June to December. Even though Bob was uninsured April to December, he is eligible for a short gap exemption for April and May.

- **There is a look-back but no look-forward.** Consecutive uninsured months at the end of 2016 count toward a gap at the start of 2017; uninsured months in 2018 do not.

  **Example:** If Bob is uninsured Dec 2016, Jan and Feb 2017, he doesn’t qualify for this exemption in 2017 because the gap is not less than 3 months.
## IRS Exemptions: Certain Noncitizens

<table>
<thead>
<tr>
<th>Citizens living abroad and certain noncitizens – Includes people who are not lawfully present</th>
</tr>
</thead>
</table>

**This exemption applies to:**

- Individuals who are not U.S. citizens, nationals or lawfully present (i.e., undocumented immigrants)
- Some other citizens living outside of the U.S., residents of territories, and 1040NR (or 1040NR-EZ) filers.

**How do I identify someone who is eligible for this exemption?**

- Consult the list of immigration statuses that qualify a person for help with health costs. If the person’s status is not on this list, they are eligible for this exemption.
- [https://www.healthcare.gov/immigrants/immigration-status/](https://www.healthcare.gov/immigrants/immigration-status/)

**Does everyone with an ITIN get this exemption?**

- Many people with ITINs will be eligible for this exemption.
- Some people with SSNs are eligible, too.
  - *Example:* A lawful social security number but not an eligible immigration status. E.g., a person who is a Deferred Action for Childhood Arrivals (DACA) grantee (“Dreamer”) can claim the exemption, despite having an SSN.
**Resident of a state that did not expand Medicaid**

- Had household income below 138% FPL, and
- Resided at any time during 2017 in a state that did not expand Medicaid

### Adjusted Gross Income (AGI)
Form 1040, Line 37

### Non-Taxable Social Security Benefits
Form 1040, Line 20a minus 20b

### Tax-Exempt Interest
Form 1040, Line 8b

### Excluded Foreign Income
Form 2555, Lines 45, 50

### Dependent Income
Only if the dependent has a filing requirement

**138% FPL (2017 coverage year)**

<table>
<thead>
<tr>
<th>Family Size</th>
<th>138% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,394</td>
</tr>
<tr>
<td>2</td>
<td>$22,108</td>
</tr>
<tr>
<td>3</td>
<td>$27,821</td>
</tr>
<tr>
<td>4</td>
<td>$33,534</td>
</tr>
</tbody>
</table>

Applies to people who lived at any time in 2017 in one of the following states:

- Alabama
- Florida
- Georgia
- Idaho
- Kansas
- Louisiana
- Maine
- Mississippi
- Missouri
- Nebraska
- North Carolina
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Virginia
- Wisconsin
- Wyoming
Example: Medicaid Coverage Gap Exemption

Rashid, Miriam and Leila

- Rashid was uninsured for all of 2017
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by Medicaid
- Household income for 2017: $25,000 (~124% FPL)
- They live in South Carolina (a state that did not expand Medicaid)

Does Rashid qualify for an exemption?

✓ YES, Rashid’s household income is below 138% FPL and in 2017, he lived in a non-expansion state
- Rashid qualifies for this exemption for the entire year even if he had other insurance options, such as coverage through his wife’s employer or insurance in the Marketplace with PTCs
- Rashid also qualifies for the entire year, even if he only lived in SC for one month before moving to Maryland (a state that did expand Medicaid)
The coverage requirement applies for *full months* alive or post-adoption. This exemption covers the other months of the year, when coverage is not required (e.g. before birth/adoption or after death).

**Example:** A person dies May 14. Coverage is required January – April. The exemption can be used May – December.

**Tip:** If the entire tax family had coverage all year, you can still consider the born, died or adopted person to have full-year coverage. In the example above, if everyone else on the return had coverage all year, you can still check the box on Line 61.

- Rashid claims exemption Code G.
- Leila was born in November and was covered by Medicaid retroactive to the date of birth.
- Claim Code H for Leila January–October.
Deep Dive: Affordability Exemption
IRS Exemptions: Affordability Exemption

**Insurance is considered unaffordable** – Lowest premium would have cost more than 8.16% of household income

Start by determining household income

- **Household Income**
- **Adjusted Gross Income (AGI)**
  - Line 37
  - IRS Form 1040
- **Tax-Exempt Interest**
  - Line 8b
  - IRS Form 1040
- **Excluded Foreign Income**
  - Lines 45 and 50
  - IRS Form 2555
- **Dependent Income**
  - Only if the dependent has a filing requirement
- **Any pre-tax deduction for ESI premiums**

If eligible for employer-sponsored insurance:

- As an employee: the lowest-cost self-only plan costs more than 8.16% of household income
- As a member of the employee’s family: the lowest-cost family plan costs more than 8.16% of household income

If not eligible for an offer of employer-sponsored insurance:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer’s family costs more than 8.16% of household income

ACA: What Tax Preparers Need to Know
Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK in 2017 (Zip: 73111)
- Both uninsured all year; no other exemption applies

<table>
<thead>
<tr>
<th></th>
<th>Gregory</th>
<th>Alice</th>
</tr>
</thead>
<tbody>
<tr>
<td>W-2, Box 1:</td>
<td>$20,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Self-only insurance offer:</td>
<td>$50/mo</td>
<td>No insurance offered</td>
</tr>
<tr>
<td>Family insurance offer:</td>
<td>$350/mo</td>
<td></td>
</tr>
</tbody>
</table>

How is affordability measured? *(Use the first that applies for each family member)*

- Lowest-cost self-only plan offered to each family member by his or her employer
- Lowest-cost family plan offered by the taxpayer or spouse’s employer
- Lowest-cost bronze plan in the marketplace, after accounting for PTC
Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK in 2016 (Zip: 73111)
- Both uninsured all year; no other exemption applies

<table>
<thead>
<tr>
<th>Gregory</th>
<th>Alice</th>
</tr>
</thead>
<tbody>
<tr>
<td>W-2, Box 1: $20,000</td>
<td>W-2, Box 1: $25,000</td>
</tr>
<tr>
<td>Self-only insurance offer: $50/mo</td>
<td>No insurance offered</td>
</tr>
<tr>
<td>Family insurance offer: $350/mo</td>
<td></td>
</tr>
</tbody>
</table>

**Gregory**

- His lowest-cost self-only employer plan is $50/mo
- Annualized cost is $600
- Compared to annual income of $45,000
- $600 / $45,000 = 1.3% of household income

Gregory is **not eligible** for the affordability exemption because his plan costs less than 8.16% of household income.
Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK in 2016 (Zip: 73111)
- Both uninsured all year; no other exemption applies

Alice
- No offer of coverage through her own employer
- Her lowest-cost family plan through Gregory’s employer is $350/mo
- Annualized cost is $4,200
- Compared to annual income of $45,000
- $4,200 / $45,000 = 9.33% of household income

Alice is eligible for the affordability exemption because her offer of coverage costs more than 8.16% of income.
Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK in 2016 (Zip: 73111)
- Both uninsured all year; no other exemption applies

What if Alice is uninsured only part of the year?

- No offer of coverage through her own employer for Jan-June.
- Her lowest-cost family plan through Gregory’s employer is $350/mo ($4,200 annually)
- $4,200 / $45,000 = 9.33% of household income
- Look at the annual cost of coverage, even if you’re just determining eligibility for a month.

Alice is eligible for the affordability exemption January through June because her offer of coverage costs more than 8.16% of income.
For a Person Eligible for Employer-Sponsored Insurance

- It’s often difficult to find the cost of the applicable employer plan.
- If the taxpayer has a 1095-C, line 15 will list the employee’s share of the lowest-cost plan for the employee. The form will not state the lowest-cost family plan.

- If there is no 1095-C, the employee may have to ask his or her Human Resources Dept for the correct 2017 plan cost.
NOW you can use this screen...

Do you qualify for Health Care Exemptions?

To determine if you can claim the "Coverage is Unaffordable" exemption, you must enter the following premium values from your Form 8965 Worksheet. Use the link below to determine the premium amounts. If you already know this return would not qualify to claim the "Coverage is Unaffordable" exemption, please select continue below to continue through the Health Insurance menu.

- **Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)**
  - $[

- **Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)**
  - $

• If there is no employer coverage offer, consider the affordability of marketplace coverage.
• You’ll need to determine:
  - The lowest-cost bronze plan (LCBP)
  - The second-lowest cost silver plan (SLCSP) *only if* eligible for PTC
• Find these values at:
  - For federal marketplace states: [https://www.healthcare.gov/tax-tool/](https://www.healthcare.gov/tax-tool/)
  - For other states: State-based marketplaces
**Affordability: Marketplace Coverage**

**LCBP (Line 1 of Marketplace Coverage Affordability Worksheet)**

Include:
- Everyone claimed on the tax return, *and*
- Who is not eligible for employer-sponsored coverage, *and*
- Who is not eligible for another exemption.

*Note:* This means that you will include household members that have Medicaid or Medicare coverage!

**SLCSP (Line 10)**

Include:
- Everyone claimed on the tax return, *and*
- Who is not eligible for any other MEC (other than individual market), *and*
- Who is not eligible for another exemption.
Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21. (Employer paid entire cost – no pre-tax deduction.)
- Residence: 22204, Arlington, VA; DOB: 7/21/84
- W-2, Box 1 - $17,500

Step 1. Figure out coverage vs exemption months.
Covered: April-Dec
Needs exemption: Jan-Mar

Step 2. Does an easy exemption apply?
- Short coverage gap?
- Income below filing threshold?
- Medicaid coverage gap?

No other exemption applies

Step 3. Consider the affordability exemption.

First, did Max have an offer of employer-sponsored coverage? No

Then, consider marketplace affordability exemption.
Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21.
- Residence: 22204, Arlington, VA; DOB: 7/21/84
- W-2, Box 1 - $17,500

Note: LCBP and SLCSP are for 2016
Example 2: Marketplace Affordability

Step 1 of the tool solicits information about the household for Line 1 of the marketplace affordability worksheet.

Step 1 of 2: Family member 1
Select the months that this family member:

- Was eligible for employer coverage OR
- Had another coverage exemption

- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December

CONTINUE
BACK

Note: LCBP and SLCSP are for 2016
Example 2: Marketplace Affordability

Step 2 of the tool solicits information about the household for Line 10 of the marketplace affordability worksheet.

Then, enter the zip code.

Step 2 of 2: Family member 1

Select the months in 2016 that this family member was eligible for coverage outside the Marketplace, like Medicare, Medicaid, CHIP, or an employer plan.

Note: LCBP and SLCSP are for 2016

CONTINUE
Example 2: Marketplace Affordability

Are any months missing below?

The chart doesn’t include any month you indicated that you and any family members are eligible for employer coverage or qualified for another exemption. You either don’t need or don’t qualify for an exemption for these months.

<table>
<thead>
<tr>
<th></th>
<th>Monthly Lowest cost Bronze plan premium</th>
<th>Monthly Second lowest cost Silver plan premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$187.02</td>
<td>$254.26</td>
</tr>
<tr>
<td>February</td>
<td>$187.02</td>
<td>$254.26</td>
</tr>
<tr>
<td>March</td>
<td>$187.02</td>
<td>$254.26</td>
</tr>
</tbody>
</table>

You may have to complete more than one worksheet. If the monthly premium changes each part of the year, these premiums may change if during the year you or a member of your family becomes eligible for different eligibility for certain coverage.

**Do you qualify for Health Care Exemptions?**

To determine if you can claim the "Coverage is Unaffordable" exemption, you must enter the following premiums. If you already know this return would not qualify to claim the "Coverage is Unaffordable" exemption, continue through the Health Insurance menu.

**Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)**

$187

**Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)**

$254

Click here to obtain the LCBP and SLCSP premium amounts to enter above. Click here to determine if you can claim a health coverage exemption.

ACA: What Tax Preparers Need to Know

Note: LCBP and SLCSP are for 2016
Example 2: Marketplace Affordability

Health Care Exemption Certificates

⚠️ You do not qualify to claim the coverage exemption for household or gross income below the filing threshold, but if you received exemption certificates or can claim another coverage exemption, answer Yes below and then continue.

Did you qualify for an exemption due to circumstances or receive an exemption certificate from the marketplace? *
- Yes
- No

⚠️ Based on the Marketplace Coverage Affordability Worksheet, you qualify for a Coverage Considered Unaffordable Exemption. To apply the exemption to the return, select "Take Affordability Exemption" below.

Would you like to Apply the Unaffordable Exemption to All Household Members?

Take Affordability Exemption

Click here to determine if you can claim a health coverage exemption.

ACA: What Tax Preparers Need to Know

Note: LCBP and SLCSP are for 2016
Example 2: Marketplace Affordability

The result of the Marketplace Affordability Worksheet is the annualized cost of coverage after tax credit. Compare to 8.16% of income. Insurance is affordable. No exemption.

See Form 8965 Instructions, page 11, Marketplace Coverage Affordability Worksheet

Note: LCBP and SLCSP are for 2016
Comparing Annualized Amounts

Let’s imagine the annualized premium cost on the affordability worksheet was $700.

\[ \$17,500 \times 0.816 = \$1,428 \]

This is 8.16% of income. To qualify for Code A, the cost of marketplace coverage must be less than $1,428.

<table>
<thead>
<tr>
<th></th>
<th>Annualized Cost of Marketplace Coverage</th>
<th>Annualized Affordability Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$700</td>
<td>$1,428</td>
</tr>
<tr>
<td>February</td>
<td>$700</td>
<td>$1,428</td>
</tr>
<tr>
<td>March</td>
<td>$700</td>
<td>$1,428</td>
</tr>
</tbody>
</table>

Code A does not apply because the annualized cost of coverage is less than 8.16% of income.

See Form 8965 Instructions, page 10, Affordability Worksheet

Note: LCBP and SLCSP are for 2016
### Example 2: Marketplace Affordability

#### (3) If there is no employer offer, is the cost of marketplace coverage unaffordable?

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monthly lowest cost bronze plan (LCBP)</td>
<td>187</td>
<td>Who is included in Line 1? Include the LCBP for each person in the household who is: (1) not offered employer coverage, and (2) not eligible for another exemption. Include people who are eligible for or enrolled in Medicare, Medicaid, CHIP and the marketplace. <strong>Where do I look this up? See tab &quot;Where Do I Find LCBP &amp; SLCSP&quot;</strong></td>
</tr>
<tr>
<td>2</td>
<td>Household income</td>
<td>17500</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Nontaxable Social Security</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Add lines 2 + 3</td>
<td>17500</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Federal Poverty Line for family size</td>
<td>11770</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Divide line 4 by line 5</td>
<td>148</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Find applicable figure</td>
<td>0.0396</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Multiply line 4 by line 7</td>
<td>693.0</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Divide line 8 by 12</td>
<td>57.8</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Monthly second lowest cost silver plan (SLCSP)</td>
<td>254</td>
<td>Who is included in Line 10? Look up the SLCSP for each person in the household who is: (1) not eligible for any coverage (except marketplace) and (2) not eligible for another exemption. Ex: Single person eligible for Medicaid but not enrolled. Enter the LCBP in Line 1, enter zero on Line 10. <strong>How do I know if someone may have been Medicaid-eligible? See tab &quot;Medicaid &amp;</strong></td>
</tr>
<tr>
<td>11</td>
<td>Subtract line 9 from line 10</td>
<td>196.3</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Subtract line 11 from line 1</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**Annual cost of marketplace coverage:** **0**

Marketplace coverage is affordable. Code A does NOT apply.

http://www.healthreformbeyondthebasics.org/aca-exemptions-income-tool/

**ACA: What Tax Preparers Need to Know**

Note: LCBP and SLCSP are for 2016
Example 3: Marketplace Affordability

- Summer is single with no dependents.
- She lived in Los Angeles, CA (90017) all year.
- Uninsured all year. No offer of employer-sponsored coverage.
- W-2, Box 1 - $13,000
- Summer’s LCBP is $166

Does Summer qualify for an exemption?

(3) If there is no employer offer, is the cost of marketplace coverage unaffordable?

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Monthly lowest cost bronze plan (LCBP)</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Household income</td>
<td>13000</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Nontaxable Social Security</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Add lines 2 + 3:</td>
<td>13000</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Federal Poverty Line for family size</td>
<td>11770</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Divide line 4 by line 5:</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Find applicable figure</td>
<td>0.0204</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Multiply line 4 by line 7:</td>
<td>265.2</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Divide line 8 by 12:</td>
<td>22.1</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Monthly second lowest cost silver plan (SLCSP)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Subtract line 9 from line 10:</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Subtract line 11 from line 1:</td>
<td>166</td>
<td></td>
</tr>
</tbody>
</table>

**Annual cost of marketplace coverage:** 1992

Marketplace coverage is unaffordable. Code A applies.
Example 3: Marketplace Affordability

- Summer is single with no dependents.
- She lived in Los Angeles, CA (90017) all year.
- Uninsured all year. No offer of employer-sponsored coverage.
- W-2: Box 1 - $13,000
- Summer’s LCBP is $166

Does Summer qualify for an exemption?

- With an income of $13,000 in a Medicaid expansion state, Summer was eligible for Medicaid. She didn’t enroll.
- People who are Medicaid-eligible often qualify for Code A because they are ineligible for the premium tax credit.
- Short cut: Determine if the (annualized) LCBP is less than 8.16% of her (annualized) income.

$166 x 12 = $1,992

$1,992 /$13,000 = 15.3% of income

15.3% of income > 8.16% of income

Insurance is unaffordable. Claim Code A exemption.
In general...

- A person is *most likely to qualify* for the affordability exemption if:
  - Eligible for Medicaid but not enrolled (under 138% FPL in expansion state; under 100% FPL elsewhere).
  - Ineligible for PTC for other reasons (e.g., married filing separately).

- A person *often won’t qualify* for exemption if:
  - Eligible for PTC with income above Medicaid-eligibility level (100/138% FPL)
    - *Why?* The premium tax credit is most generous in that income range. It’s hard to make insurance unaffordable, mathematically.

- The result may be different for tobacco-users, depending on the state, because they often have higher premiums.

**Bottom line: Do the math.**
The Last Resort…Marketplace Exemptions

- If no other IRS exemption applies, consider helping a client apply for a Marketplace exemption
- Application must be mailed and takes time for processing
- Write “Pending” if approval has not yet been received.
- Useful for:
  - Religious conscience exemption (available only through the Marketplace)
  - Hardship exemptions
- For exemptions that must be approved by the Marketplace, the FFM is processing exemptions for all states except Connecticut.

Should I Make a Referral to Complete a Hardship Application?
- A referral to a health care assister is one option but it causes additional delay
- Consider helping the client complete the hardship application at your tax site
- No special health care knowledge is needed. Application requires:
  - Name and contact info
  - Dependents
  - Documentation of exemption
  - Taxpayer’s signature

Hardship application @
https://www.healthcare.gov/exemption-form-instructions/
## Hardship Exemptions Granted by Marketplace

<table>
<thead>
<tr>
<th>Financial or domestic circumstances</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Homelessness</td>
<td>At least one month before and after hardship</td>
</tr>
<tr>
<td>2. Eviction in the last 6 months or facing eviction or foreclosure</td>
<td></td>
</tr>
<tr>
<td>3. Utility shut-off notice</td>
<td></td>
</tr>
<tr>
<td>4. Domestic violence</td>
<td></td>
</tr>
<tr>
<td>5. Recent death of a close family member</td>
<td></td>
</tr>
<tr>
<td>6. Disaster that resulted in significant property damage</td>
<td></td>
</tr>
<tr>
<td>7. Bankruptcy in the last 6 months</td>
<td></td>
</tr>
<tr>
<td>8. Debt from medical expenses in the last 24 months</td>
<td></td>
</tr>
<tr>
<td>9. High expenses caring for ill, disabled or aging relative</td>
<td></td>
</tr>
<tr>
<td>10. Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP</td>
<td></td>
</tr>
<tr>
<td>11. Through an appeals process, determined eligible for a Marketplace plan or lower costs, but was not enrolled</td>
<td></td>
</tr>
<tr>
<td>12. Determined ineligible for Medicaid because the state did not expand</td>
<td></td>
</tr>
<tr>
<td>13. Individual health insurance plan was cancelled and you believe Marketplace plans are unaffordable</td>
<td></td>
</tr>
<tr>
<td>14. Other hardship in obtaining coverage (including for people with limited Medicaid coverage)</td>
<td></td>
</tr>
</tbody>
</table>

### When to Apply

Up to 3 years after the month of the hardship (but documentation is required in most circumstances so earlier is better)
• For Marketplace exemptions, a seven-digit alphanumeric code is required. If the exemption is 6 digits, add a zero at the beginning or end.
• Type PENDING if the exemption application has not yet been approved.
Parting Advice: Always Preview the Return!

$2,308
Federal Refund

N/A
Refund Amount

Form 1040
Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return

For the year Jan. 1 - Dec. 31, 2016, or other tax year beginning
SUMMER

Last name
GORDON

If a joint return, spouse’s first name and initial

Your social security number
611 00 1111

Spouse’s social security number

Other Taxes
58 Unreported social security and Medicare tax from Form: a □ 4137 b □ 8919...
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required...
60a Household employment taxes from Schedule H...
61 Health care: individual responsibility (see instructions) Full-year coverage □...
62 Taxes from: a □ Form 8959 b □ Form 8960 c □ Instructions; enter code(s)...
63 Add lines 56 through 62. This is your total tax...

ACA: What Tax Preparers Need to Know
Tara Straw
Center on Budget and Policy Priorities
tstraw@cbpp.org