VITA/TCE Advanced Topic: Premium Tax Credits

Current as of November 21, 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
Clean Up

• If a taxpayer used the short coverage gap exemption in December 2016, can he use it again in January 2017?
  – Maybe.
  – If he was uninsured in December 2016 and January 2017 only, January qualifies as a short coverage gap month because the total gap is less than 3 months.
  – If he was uninsured in November and December 2016 and January 2017, January does not qualify as a short gap month because the total period is 3 months or more.
  – If he had received a different type of exemption in November and December 2016, the 2016 exemption period would be treated as ‘coverage’ and the short gap may apply for January.
• If you’re measuring the affordability of employer-sponsored coverage to
determine eligibility for Code A, does an offer of COBRA or retiree
coverage count?
  – No. COBRA or retiree coverage does not count as an employee offer for this
    purpose, unless the eligible person or family member actually enrolled in the
    coverage.
  – For example:
    o A person is offered COBRA and does not enroll. He was uninsured.
    o In testing eligibility for the affordability exemption, he wouldn’t be considered
      eligible for an employer offer. (And he was not eligible for coverage under another
      family member’s employer coverage.)
    o His exemption eligibility will be determined by the affordability of marketplace
      coverage, after taking into account the PTC.
PTC Refresher
Eligibility Criteria for the Premium Tax Credit (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: $11,770 - $47,080  
   - Family of four: $24,250 - $97,000  
   *Exception for people with income below 100% FPL can claim PTC if they received APTC under the belief that they would be income-eligible for the credit.
3. **Have an eligible filing status**
   - PTC cannot be claimed by a person who is Married Filing Separately  
   *Exceptions for abused or abandoned spouses  
   - PTC cannot be claimed on a dependent return (whoever claims an individual’s personal exemption can claim their PTC)
4. **Not eligible for (or enrolled in) other minimum essential coverage (MEC)**
   - Not eligible for Medicare or most Medicaid/CHIP or affordable employer-sponsored coverage (regardless of whether the person is actually enrolled)  
   *Many exceptions allow a person who received APTC to claim the credit despite eligibility for other coverage
Who Must File Form 8962

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

File Form 8962 if:

• Any member of the tax family received PTC in advance, 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, 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.
  
  Example: Diane enrolls her 19-year-old son, Danny, in marketplace coverage, assuming she will claim him as a dependent. At the end of the year, Danny cannot be claimed as a dependent. Danny can file taxes, including Form 8962. But if he doesn’t file and no one claims his personal exemption, Diane must reconcile the PTC.
• If no PTC is taken in advance, or if only a portion of the PTC is claimed in advance, the remainder is refundable and may be claimed on the tax return.

• If a taxpayer receives excess advance payments of the PTC, some or all of it must be paid back.

**REPAYMENT LIMITS (2017)**

<table>
<thead>
<tr>
<th>Income (as % of FPL)</th>
<th>SINGLE taxpayers will pay back no more than $</th>
<th>OTHER taxpayers will pay back no more than $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 200%</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>At least 200% but less than 300%</td>
<td>$750</td>
<td>$1,500</td>
</tr>
<tr>
<td>At least 300% but less than 400%</td>
<td>$1,275</td>
<td>$2,550</td>
</tr>
<tr>
<td>400% and above</td>
<td>None: Full repayment</td>
<td>None: Full repayment</td>
</tr>
</tbody>
</table>

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

Current as of 11-19-2017
This includes the actual premium paid plus the APTC (minus certain “extra” benefits, such as adult dental).

This is the benchmark plan that helps establish the PTC amount. It may be incorrect if:
(1) no APTC was paid, or
(2) a change in circumstance was not reported.

Advance payment of PTC
What if the 1095-A is wrong?

• The taxpayer should call the Marketplace for an amended form

• Requests for amended forms don’t always require filing delays
  – If an error doesn’t affect the PTC calculation (e.g., incorrect address, social security number or birth date), seek a correction, but the consumer should file anyway. Don’t wait.
  – If an error does affect the PTC calculation, get corrected information before filing. The consumer may be able to get the information over the phone.

Note: An incorrect second lowest cost silver plan (SLCSP) will not be amended.
• If the SLCSP is wrong, use the look-up tool to find the correct one to use on Form 8962 (FFM tool: www.healthcare.gov/tax-tool/)
Enter Insurance Status

Health Insurance Questionnaire

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

☐ Yes
☐ No

Health Insurance Questionnaire

Did you purchase health insurance via HealthCare.gov or a State Marketplace? *

☐ Yes
☐ No

Continue

Back
### Verify Household

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](#).

<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**

- "Add New Household Member" will add a person to the tax return for ACA coverage and penalty purposes.

- **Warning:** Do **not** add a person who is on Form 1095-A but not on the tax return (shared policy). That’s not an accurate way to reconcile APTC.
Enter Insured Months

**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>9</td>
</tr>
</tbody>
</table>

Specify the 9 months that SUMMER GORDON had minimum essential coverage

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

**ACA: What Tax Preparers Need to Know**
Advanced Premium Tax Credit (1095-A)

Did you receive a 1095-A statement or any Premium Tax Credits to assist you in paying for your health care for 2017? *

- [ ] Yes
- [ ] No
**Requirement to Repay All APTC**

Are you required to repay all of the APTC received? In most cases, the answer is **NO**. ONLY answer **YES** if you were not considered lawfully present in the U.S. or you meet the Health Coverage Tax Credit criteria. Note: We will automatically calculate a full repayment of APTC when MAGI is greater than 400 percent of Federal Poverty Line.

- Yes
- No

**Who needs to repay ALL APTC? (Answer Yes)**
- People who are not lawfully present and received a credit only for themselves (if a citizen also received the credit, it’s out of scope)
- People who received APTC and also receive Health Care Tax Credit payments
- People with income at 401% FPL or above

**Who does NOT need to repay all APTC? (Answer No)**
- People who are eligible to claim the credit
- People who are **NOT** eligible to claim the credit, such as people who are married filing separately or who have other health insurance coverage.
Requirement to Repay All APTC

- Line 28 should always show the repayment cap, even if the repayment cap is higher than the amount owed.
- If it doesn’t show a repayment cap, and income is under 400% FPL, check this question.
**Income Below 100% FPL**

Is your household income below 100% of the Federal poverty line, and do you meet all of the requirements under either "Estimated household income at least 100% of the Federal poverty line" or "Alien lawfully present in the United States"?

- Yes
- No

**Rule:** A person with income under 100% FPL can claim the PTC if they were enrolled in marketplace coverage and received APTC.

TaxSlayer defaults to No. Consequences of answering No:
- For someone with income 100-400% FPL, answering No is fine. (In most cases, the program will skip this question.)
- For someone with income below 100% FPL, answering No will trigger repayment.

**Answer Yes:** If a taxpayer has income below 100% FPL but is eligible to claim the credit.
In some cases, you may not even be asked the question about whether you can claim PTC with income under 100% FPL.
Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?

- Yes
- No

Please enter your annual Advance Premium Tax Credit information

Premium Amount (Form 1095-A, line 33A)

$2000

Annual Premium Amount of SLCSP (Form 1095-A, line 33B)

$2400

Annual Advance Payment of PTC (Form 1095-A, line 33C)

$1600
Dependent MAGI

- Dependent income is rarely needed because few dependents are required to file taxes.
- The income of a dependent with a tax filing requirement is included in the calculation of household income for:
  - PTC
  - Income-based exemptions: income below filing threshold, Medicaid coverage gap, and affordability (but not gross income below filing threshold)
  - Shared responsibility payment

[Section on Dependent MAGI]

[Diagram of Dependent MAGI calculation]

ACA: What Tax Preparers Need to Know
Complex 1095-A Issues
Issue: I thought I would file jointly, but I’m MFS

- In general, a taxpayer cannot claim PTC if Married Filing Separately.

- **Two exceptions:**
  - **Domestic abuse:** The taxpayer lives apart from the spouse *and* is unable to file a joint return because of domestic abuse.
  - **Abandoned spouse:** The taxpayer lives apart from the spouse *and* is unable to locate spouse after using due diligence.

  **Note:** Each exception can be used for a maximum of three consecutive years.

- The taxpayer does not have to produce proof to the tax preparer, but, as with other claims on a tax return, the IRS could ask for verifying documents later.
Example: MFS with APTC

- Alma hasn’t seen her husband in over a year. When she applied for health coverage, she said she was single. She was awarded APTC.

- At tax filing, you inform Alma that her filing status is married filing separately.
- Explain that a person cannot claim PTC if MFS, and ask if the domestic violence or abandonment exceptions apply
  - Abandonment might apply. Has she used due diligence to locate him?
  - Alma: He lives with his new girlfriend in Arlington. I could call him on his cell phone. But I don’t have any interest in filing taxes with him.
- Exception does not apply. Enter 1095-A as it appears. TaxSlayer will trigger payback of the APTC received (up to the repayment cap).

<table>
<thead>
<tr>
<th>Form 8962</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Monthly Calculation</td>
</tr>
<tr>
<td>12 January</td>
</tr>
<tr>
<td>13 February</td>
</tr>
<tr>
<td>14 March</td>
</tr>
</tbody>
</table>
Many people have multiple 1095-As. Sometimes it’s because of an actual change in plan selection. Other changes, like a change in income, also triggered a new “policy” in the enrollment system in the past.

### Form 1095-A

#### Part III Coverage Information

<table>
<thead>
<tr>
<th>Month</th>
<th>A. Monthly enrollment premiums</th>
<th>B. Monthly second lowest cost silver plan (SLCSP) premium</th>
<th>C. Monthly advance payment of premium tax credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 January</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 February</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 April</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 May</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 June</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 July</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 August</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 September</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Add the premiums together**
  - If same state, SLCSP should be the same.
  - If different states, add them.
  - Or use tool.

- **Add the APTC together**

See Form 8962 Instructions for details.
Example: Multiple Forms 1095-A

- Felicia and Murphy claim their 27-year-old daughter, Gwen, as a dependent. They enroll together as a household in the same plan but cannot be in the same “policy.” They get separate Forms 1095-A.

**Form 1095-A for Felicia and Murphy**

<table>
<thead>
<tr>
<th>Coverage Information</th>
<th>A. Monthly enrollment premiums</th>
<th>B. Monthly second lowest cost silver plan (SLCSP) premium</th>
<th>C. Monthly advance payment of premium tax credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 Annual Totals</td>
<td>$12,000</td>
<td>$10,800</td>
<td>$4,800</td>
</tr>
</tbody>
</table>

**Form 1095-A for Gwen**

<table>
<thead>
<tr>
<th>Coverage Information</th>
<th>A. Monthly enrollment premiums</th>
<th>B. Monthly second lowest cost silver plan (SLCSP) premium</th>
<th>C. Monthly advance payment of premium tax credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 Annual Totals</td>
<td>$3,600</td>
<td>$10,800</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?

Yes □  No □

Please enter your annual Advance Premium Tax Credit information

- Premium Amount (Form 1095-A, line 33A) $15,600
- Annual Premium Amount of SLCSP (Form 1095-A, line 33B) $10,800
- Annual Advance Payment of PTC (Form 1095-A, line 33C) $6,000

ACA: What Tax Preparers Need to Know
### Issue: Failure to Pay Premiums

**Form 1095-A**

<table>
<thead>
<tr>
<th>Month</th>
<th>A. Monthly enrollment premiums</th>
<th>B. Monthly second lowest cost silver plan (SLCSP) premium</th>
<th>C. Monthly advance payment of premium tax credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 January</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>22 February</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>23 March</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>24 April</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>25 May</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
</tr>
</tbody>
</table>

- There is a 3-month grace period for nonpayment. If the taxpayer doesn’t catch up on all missed premiums, coverage is terminated *retroactively* as of the end of the first month of nonpayment.

- Taxpayer will owe back the APTC for that month of nonpayment **OR** the taxpayer can pay the premium for the month prior to the tax deadline.

- If there are multiple months of APTC without a premium in column A, this is an error.

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*ACA: What Tax Preparers Need to Know*
Example: Failure to Pay Premiums

- Greg had an unexpected car repair in April and could not afford to make his $200 May premium for his marketplace insurance. He made no other payments and his coverage was canceled, retroactive to the end of May.

- Enter this into TaxSlayer and the program will trigger a repayment of the $200 in APTC received in May.
- Even though Greg didn’t pay his premium for May, he is still considered covered for that month.
- **Alternative to repayment:** Greg can pay his portion of the May premium ($200), request a new 1095-A, and avoid APTC repayment for that month.
Warning! If you enter the Form 1095-A exactly as written, no PTC will be awarded for April and May.

Instead:
• Determine eligibility for the credit for the months a premium was paid.
• If she is eligible for the PTC, use the Tax Tool to look up the SLCSP for Column B (or call your state marketplace)
Example: Only Column A of Form 1095-A is Completed

- Carolina failed to reconcile her APTC for 2015 and had her 2017 APTC canceled. She filed her 2015 tax return and APTC was reinstated starting in March.

<table>
<thead>
<tr>
<th>Month</th>
<th>A. Monthly enrollment premiums</th>
<th>B. Monthly second lowest cost silver plan (SLCSP) premium</th>
<th>C. Monthly advance payment of premium tax credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$300</td>
<td>$300</td>
<td>X</td>
</tr>
<tr>
<td>February</td>
<td>$300</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>March</td>
<td>$300</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>April</td>
<td>$300</td>
<td>$300</td>
<td>$200</td>
</tr>
<tr>
<td>May</td>
<td>$300</td>
<td>$300</td>
<td>$200</td>
</tr>
</tbody>
</table>

- Even though she didn’t receive APTC in January and February, she meets all of the eligibility criteria for PTC.
- In TaxSlayer, enter the SLCSP for January and February. (If you’re not sure of the SLCSP, look it up.)
- Leave the APTC column BLANK for January and February
Forms 1095-A, B, and C

Form 1095-A

- Issued by the Marketplace to people who enrolled in Marketplace coverage.
- Necessary to prepare Form 8962, which is required for people who received Advance Premium Tax Credits
- Corrections? Call the Marketplace that issued the form

Form 1095-B

- Issued by Medicaid, Medicare, insurers, and others who offer coverage.
- Useful in determining the months a person had coverage.

Form 1095-C

- Issued only by large employers (employers with 50 or more full-time EEs)
- Useful in determining the months a person had coverage or an offer of coverage and the cost of the offer of individual coverage. (May be helpful to calculate the affordability exemption.)
Overlapping Coverage

In general, to be eligible for PTC, the taxpayer must not be eligible for (or enrolled in) other minimum essential coverage (MEC).

• Many exceptions!
  
  – For any coverage conflict:
    o People who are eligible for PTC on the first day of the month are considered eligible for the full month (even if they become eligible for other coverage later that month, for instance.)

  – If a person is enrolled in APTC but later determined eligible Medicaid:
    o PTC is allowed for months of retroactive Medicaid coverage
    o The person is generally eligible for PTC for the entire calendar year even if also enrolled in Medicaid for some of those months.

More exceptions!

- **Eligibility for Medicare**: A person loses eligibility for PTC when they become Medicare-eligible, even if they fail to enroll in Medicare. But the loss of eligibility doesn’t occur until the first day of the fourth full month after the person became eligible for Medicare.

*Example:* Freddie is enrolled in Marketplace coverage with APTC. His 65th birthday is May 17 and he becomes eligible to enroll in Medicare.

<table>
<thead>
<tr>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible for Medicare</td>
<td>Three full months</td>
<td></td>
<td></td>
<td>NOT eligible for PTC</td>
</tr>
</tbody>
</table>

If he continues in the marketplace the APTC all year:
- He’ll owe back APTC for Sept–Dec.
- And when he enrolls in Medicare Part B, he’ll pay a higher premium.
Eligibility for Employer-Sponsored Coverage: In general, a person is not eligible for PTC if they have an affordable, minimum value offer of coverage from an employer. If the employer is large, the coverage offer will be indicated on Form 1095-C. (There is no similar record for small employers.)

- It’s an affordable offer if:
  - Line 14 says 1A, or
  - Line 14 says 1B, 1C, 1D, or 1E and the cost on line 15 is less 9.69% of income
  - This only tells you the cost of self-only coverage; family coverage may still be unaffordable.

More exceptions!

- **SAFE HARBOR**: If the taxpayer informed the marketplace of the cost of employer-sponsored coverage and they awarded APTC anyway, the taxpayer can claim PTC.

- **Ask**: Did you provide accurate information about the cost of employer-sponsored coverage? If so, and the person received APTC, disregard the offer of coverage – they are eligible for PTC (if all other requirements are met).
Review Tips
Review the Return Carefully

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>Excess advance premium tax credit repayment. Attach Form 8962</td>
<td>300</td>
</tr>
<tr>
<td>61</td>
<td>Health care: individual responsibility (see instructions) Full-year coverage</td>
<td>463</td>
</tr>
<tr>
<td>69</td>
<td>Net premium tax credit. Attach Form 8962</td>
<td></td>
</tr>
</tbody>
</table>

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

- **Federal Amount Due**: $1,023
- **Refund Amount**: N/A

**REASONS FOR NO EARNED INCOME CREDIT (EIC)**

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**Form 1040**

Department of the Treasury—Internal Revenue Service  
U.S. Individual Income Tax Return  
(99)  
2016

<table>
<thead>
<tr>
<th>Your first name and initial</th>
<th>Last name</th>
<th>Your social security number</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMER</td>
<td>GORDON</td>
<td>611 00 1111</td>
</tr>
</tbody>
</table>

---

**ACA: What Tax Preparers Need to Know**
If MFS, PTC is disallowed and all APTC is repaid. Does this taxpayer qualify for an exception?
- Spousal abandonment
- Domestic abuse
Form 8962 Review

- Did I enter dependent income inappropriately?
  - Only enter if dependent has a filing requirement
• Line 6: If YES is checked, it’s probably wrong. A taxpayer can claim the PTC with income below 100% FPL if they received APTC or are a lawfully present alien who is not eligible for Medicaid.
• If income is 401% FPL, the taxpayer must repay all APTC.
• Did you consider:
  – Married filing separately?
  – Adjustments such as making a deductible IRA contribution, contributing to a health savings account, taking the tuition and fees deduction instead of an education credit?
• Line 9: TaxSlayer assumes that there is no out-of-scope issue.
  – Double check that everyone on Form 1095-A is on the tax return (no shared policy allocation)
  – If the taxpayer must repay PTC, did he or she get married in 2017? If so, the person may qualify to use the alternative marriage calculation.
If a credit was not allowed in a month, do I understand why? Can the taxpayer take steps to avoid repayment?
What Can a Tax Preparer Tell a Person with a Repayment?

- Try to determine why the taxpayer’s advance payment was too high:
  - Do you suspect the Form 1095-A is incorrect?
  - Did they make an error in estimating their income or their dependent’s income?
  - Was there an error in calculating family size?
  - Has their filing status changed?
  - Has a dependent joined or left the family?
- Encourage taxpayers to take less than the maximum APTC in future years.
- Remind taxpayers to promptly report changes in income and family size to the Marketplace.
- If the taxpayer has Marketplace coverage for 2018, encourage them to report their most recent income/dependent information to improve the accuracy of the 2018 income and household projection.
Delays in Return Processing
• Many taxpayers received Letter 12C to request more information
  – Generally, 1095-A, Form 8962, page 2 of 1040
• If someone did not respond, their return may have been sent to exams for review and assessment
  – Consider amending the tax return if the result of the exam seems inaccurate

Failure to File and Reconcile APTC for TY2016
• People who did not file for 2016 may lose their APTC for 2018
• Consider preparing the prior-year return early in the season, even if those returns would normally be delayed until a less-busy time. It may affect a person’s ability to get or keep health insurance.
Contact Information

Tara Straw
Center on Budget and Policy Priorities
tstraw@cbpp.org