VITA/TCE Basic Certification
Topics on Affordable Care Act

Current as of November 15, 2018
The Individual Mandate Penalty Was Repealed

Everyone is Exempt

Not Quite
Shared Responsibility Payment (SRP)

• For 2018, everyone in a household must:
  – Have minimum essential coverage, or
  – Claim an exemption from the coverage requirement, or
  – Make a shared responsibility payment (penalty)

• IRS will not accept electronic returns that omit health coverage information.

<table>
<thead>
<tr>
<th>Flat $ Amount</th>
<th>OR</th>
<th>% of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$695 per adult</td>
<td>$347.50 per child</td>
<td>2.5% of household income (over the income tax filing threshold)</td>
</tr>
</tbody>
</table>

Capped at $2,085 per household
Capped at avg. cost of bronze plan

(whichever is greater)
### ACA: Where are we now?

<table>
<thead>
<tr>
<th>What’s the same?</th>
<th>What’s new?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Still a requirement to have coverage or an exemption or pay a penalty (for tax year 2018)</td>
<td>• The coverage question is expanded to ‘covered or exempt’ and is now on Form 1040, page 1</td>
</tr>
<tr>
<td>• Penalty amount is the same as last year</td>
<td>• Fewer people are required to file Form 8965</td>
</tr>
<tr>
<td>• Exemptions are (mostly) the same</td>
<td>• Taxpayers can claim hardship exemptions on the tax return instead of applying to the marketplace</td>
</tr>
<tr>
<td>• Premium tax credit is still available</td>
<td>• A few general hardships have been added</td>
</tr>
</tbody>
</table>
Most people will check a box on Form 1040, page 1

- The check box for full-year coverage is now on page 1.
  → It’s now also used to indicate full-year exemption eligibility

- Check the box on 1040, page 1 if:
  → Everyone on the return is covered, or
  → Everyone on the return is exempt using one or more exemptions, or
  → Any combination of covered/exempt for everyone on the return

- Only complete Form 8965 if:
  → There is a mixture of exemption and uninsured (penalty) months
New General Hardship Exemptions* (Code G)

Did any of the following hardships prevent you from obtaining coverage?

**Financial Hardship**
- You were homeless
- You were evicted or face eviction or foreclosure
- You received a utility shut-off notice
- You filed for bankruptcy
- You had medical debt in the last 24 months
- You had unexpected increases in expenses caring for ill, disabled or aging relative
- You were determined ineligible for Medicaid in a state that did not expand Medicaid coverage
- You were without coverage while awaiting a decision on a marketplace appeal

**Plan Choice Hardship**
- You lived in a county with only one issuer offering coverage and can show that the lack of choice precluded enrollment**
- All affordable plans provide abortion coverage contrary to your beliefs**
- You experienced a personal circumstance that created a hardship, such as when no affordable plans provide access to needed specialty care**

**Personal Hardship**
- You experienced a disaster that resulted in significant property damage
- You experienced domestic violence
- A close family member died
- Your child was denied Medicaid or CHIP and another person is required by court order to provide coverage for the child
- You experienced another hardship that prevented you from obtaining coverage

*Most of these exemptions were formerly claimed by submitting a marketplace application. The exemption is valid for the month(s) of the hardship and the month before and after.

**New hardships
Coverage & Exemptions
## What is “Health Care Coverage”?

<table>
<thead>
<tr>
<th>Minimum Essential Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One day of coverage = a covered month</strong></td>
</tr>
</tbody>
</table>

### Employer-Sponsored Coverage
- Group coverage
- COBRA coverage
- Retiree coverage

### 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
Months Insured are Reported in TaxSlayer

Health Insurance Questionnaire

Did you or your family have health insurance at any time in 2018?

- Yes
- No

Months Insured

Was your entire household insured for all 12 months of 2018? *

- 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 MCGRAW</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>

Months Insured - SUMMER MCGRAW

Specify the 6 months that SUMMER MCGRAW had minimum essential coverage

- January
- April
- February
- March
- May
- August
- October

Household Income

Enter any premium amount paid through a salary reduction agreement that is excluded from gross income. (Note: This entry is included in the Affordability Threshold when determining affordability if applicable. This information is unnecessary if you will not be completing the affordability worksheets.)

$
Income Below Filing Threshold

- TaxSlayer will automatically calculate this exemption
- Since this exemption covers the whole household, it will appear on the first page of Form 1040 and there will be no Form 8965.

Household income for Filing Threshold Exemption and SRP

- Adjusted Gross Income (AGI)
  - Form 1040, Line 7
- Tax-Exempt Interest
  - Form 1040, Line 2a
- Excluded Foreign Income
  - Form 2555, Lines 45, 50
- Dependent Income
  - Only if the dependent has a filing requirement

Gross income for Filing Threshold Exemption

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
• If the household doesn’t qualify for the exemption, you’ll be asked whether the household qualifies for an exemption “due to circumstances.”
  – Answer Yes to enter any exemption (including affordability)
  – Answer No to get the affordability exemption question
# Health Care Exemption

**Name of Individual**

- SUMMER MCGRAW

**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. (Note: Selecting "Coverage is Unaffordable" above will prompt the Affordability Worksheet when continuing)**

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

[BACK] [CONTINUE]
## Full Exemption List

<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 8.05% 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 8.05% of household income</td>
<td>G</td>
</tr>
<tr>
<td><strong>Hardships, including 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>
### New General Hardship Exemptions* (Code G)

**Did any of the following hardships prevent you from obtaining coverage?**

#### Financial Hardship
- You were homeless
- You were evicted or face eviction or foreclosure
- You received a utility shut-off notice
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---

*Most of these exemptions were formerly claimed by submitting a marketplace application. The exemption is valid for the month(s) of the hardship and the month before and after.

**New hardships

Burden of proof: No specific proof is needed but it’s always advisable to keep something in the taxpayer’s record.
New General Hardship Exemptions* (Code G)

Insurer Participation on ACA Marketplaces, 2014-2019

Year
2018

Number of Insurers
- One
- Two
- Three or more

Select State
All

No items highlighted

Percent of Enrollees


ACA: What Tax Preparers Need to Know
### IRS Exemptions: Short Coverage Gap

**Short coverage gap** – Uninsured for less than 3 consecutive months

- **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.

- **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.** Consecutive uninsured months at the end of 2017 count toward a gap at the start of 2018; uninsured months in 2019 do not.
  
  *Example:* If Bob is uninsured Dec 2017, Jan and Feb 2018, he doesn’t qualify for this exemption in 2018 because the gap is not less than 3 months.
Citizens living abroad and certain noncitizens – Includes people who are not lawfully present

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.
### IRS Exemptions: Medicaid Coverage Gap

**Resident of a state that did not expand Medicaid**

- Had household income below 138% FPL, and
- Resided at any time during 2018 in a state that did not expand Medicaid

<table>
<thead>
<tr>
<th>Adjusted Gross Income (AGI)</th>
<th>Non-Taxable Social Security Benefits</th>
<th>Tax-Exempt Interest</th>
<th>Excluded Foreign Income</th>
<th>Dependent Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form 1040, Line 7</td>
<td>Form 1040, Line 5a - 5b</td>
<td>Form 1040, Line 2a</td>
<td>Form 2555, Lines 45, 50</td>
<td>Only if the dependent has a filing requirement</td>
</tr>
</tbody>
</table>

**Applies to people who lived at any time in 2018 in one of the following states:**

- Alabama
- Florida
- Georgia
- Idaho
- Kansas
- Maine
- Mississippi
- Missouri
- Nebraska
- North Carolina
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Virginia
- Wisconsin
- Wyoming

<table>
<thead>
<tr>
<th>Family Size</th>
<th>138% FPL (2018 coverage year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,643</td>
</tr>
<tr>
<td>2</td>
<td>$22,411</td>
</tr>
<tr>
<td>3</td>
<td>$28,180</td>
</tr>
<tr>
<td>4</td>
<td>$33,948</td>
</tr>
</tbody>
</table>
CBPP Tax Exemption Tool

• Calculates exemptions based on income
  ✓ Filing threshold
  ✓ Medicaid coverage gap
  ✓ Employer-coverage affordability
  ✓ Marketplace affordability

• Logic to prevent certain common errors

• TY2018 Beta Version launched 11/14. Feedback requested!

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

ACA: What Tax Preparers Need to Know
Example: Medicaid Coverage Gap Exemption

Rashid, Miriam and Leila

- Rashid was uninsured for all of 2018
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by Medicaid
- Household income for 2018: $25,000 (~122% 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 2018, 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)
### Example: Medicaid Coverage Gap Exemption

**Rashid, Miriam, and Leila**

- Rashid was uninsured for all of 2018
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by Medicaid
- Household income for 2018: $25,000 (~122% FPL)
- They live in South Carolina (a state that did not expand Medicaid)

#### Household

<table>
<thead>
<tr>
<th>State</th>
<th>South Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing status</td>
<td>Married, Filing Jointly</td>
</tr>
<tr>
<td>Is the taxpayer or spouse age 65 or older?</td>
<td>No</td>
</tr>
<tr>
<td>Total number of people in the tax household</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Income

<table>
<thead>
<tr>
<th>On the tax return</th>
<th>Dependent income (only if filing requirement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted gross income (Form 1040 line 7)</td>
<td>$25,000</td>
</tr>
<tr>
<td>Tax-exempt interest (Form 1040 line 2a)</td>
<td>$</td>
</tr>
</tbody>
</table>

Test for Exemption for Income Below Filing Threshold (Form 8965, Line 7)

*Note: Also calculated in TaxSlayer. This tool does not consider gross income below filing threshold.*

- Taxpayer's filing threshold is... $24,000
- Is income below the filing threshold? No, exemption does not apply. Continue

Test for Code G Exemption (Medicaid Coverage Gap)

- 138% of federal poverty line (FPL) $28,676
- Household income $25,000
- Is income less than 138% of FPL? Yes, enter Code G.
Deep Dive: Affordability Exemption
IRS Exemptions: Affordability Exemption

Insurance is considered unaffordable – Lowest premium would have cost more than **8.05%** of household income

Start by determining household income

- **Household Income**
  - Adjusted Gross Income (AGI)
    - Line 7, IRS Form 1040
  - Tax-Exempt Interest
    - Line 2b, 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 8.05% of household income
- **As a member of the employee’s family**: the lowest-cost family plan costs more than 8.05% 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 8.05% 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 (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>

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

- Lowest-cost self-only plan offered to the employee by his or her employer
- Lowest-cost family plan offered by the employer of a family member in the tax unit
- 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 (Zip: 73111)
- Both uninsured all year; no other exemption applies

**Gregory**

- W-2, Box 1: $20,000
- Self-only insurance offer: $50/mo
- Family insurance offer: $350/mo

**Alice**

- W-2, Box 1: $25,000
- No insurance offered

- Gregory is not eligible for the affordability exemption because his plan costs less than 8.05% of household income.

- Annualized cost is $600
- Compared to annual income of $45,000
- $600 / $45,000 = 1.3% of household income
Example 1: Affordability of ESI

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

<table>
<thead>
<tr>
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<th>Alice</th>
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<tr>
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<td>No insurance offered</td>
</tr>
<tr>
<td>Family insurance offer: $350/mo</td>
<td></td>
</tr>
</tbody>
</table>

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 8.05% of income.
Gregory & Alice

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

### Household

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>Oklahoma</td>
</tr>
<tr>
<td>Filing status</td>
<td>Married, Filing Jointly</td>
</tr>
<tr>
<td>Is the taxpayer or spouse age 65 or older?</td>
<td>No</td>
</tr>
<tr>
<td>Total number of people in the tax household</td>
<td>2</td>
</tr>
</tbody>
</table>

### Income

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted gross income (Form 1040 line 7)</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

**Test for Exemption for Income Below Filing Threshold (Form 8965, Line 7)**

*Note: Also calculated in TaxSlayer. This tool does not consider gross income below filing threshold.*

- Taxpayer's filing threshold is... $24,000
- Is income below the filing threshold? No, exemption does not apply. Continue

**Test for Code G Exemption (Medicaid Coverage Gap)**

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>138% of federal poverty line (FPL)</td>
<td>$22,715</td>
</tr>
<tr>
<td>Household income</td>
<td>$45,000</td>
</tr>
<tr>
<td>Is income less than 138% of FPL?</td>
<td>No, Code G does not apply.</td>
</tr>
</tbody>
</table>
### Test for Code A Exemption (Affordability)

#### 8.05% of income

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50</td>
<td>$</td>
</tr>
</tbody>
</table>

#### 1. Does the taxpayer (or spouse) have an offer of self-only coverage from his or her own employer? If yes, determine the offer's affordability and STOP for this individual.

- [Yes](#)

#### Self-only premium (per month)

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Annual Cost

**Taxpayer's cost of self-only coverage is affordable. Code A does NOT apply.**

#### 2. Does anyone have an offer of family coverage from an employer? If yes, determine the offer's affordability and STOP for this individual.

- [Yes](#)

#### Family premium (per month)

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>$350</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Annual Cost

**$4,200**

- The taxpayer's family coverage offer is unaffordable. Code A applies to all family members on the tax return (except those with an affordable offer of self-only coverage).

---

### Results:

- **Gregory:** Code A does not apply
- **Alice:** Code A does apply
- Since Gregory and Alice each have an offer of employer-sponsored coverage, determine if it’s affordable then STOP. Don’t move on to marketplace affordability.
“Annualized Contribution”

- Affordability is measured against annual income
- Since income is annualized, premiums must be, too

Example:
Income = $24,000
Premium = $200/mo
Is it affordable?
Comparison annualized premium to the annual income.
January = $2,400
February = $2,400
Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (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>Jan-June: No insurance offered</td>
</tr>
<tr>
<td>Family insurance offer: $350/mo</td>
<td>July-Dec: Alice enrolls in coverage at work</td>
</tr>
</tbody>
</table>

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 8.05% of income.
Do you qualify for Health Care Exemptions?

You only need to fill in these values if a household member was not eligible for employer-sponsored coverage for one or more months. These values will be used to compute your annualized required contribution from the Marketplace Coverage Affordability Worksheet.

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if health insurance was not offered through an employer, enter the premium values captured from the healthcare.gov tax tool that is made available to you. The link at the bottom of this page will assist you in determining the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, select continue below and enter the required information asked to further determine affordability.

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.

- 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/
  - For other states: State-based marketplaces
Affordability: Marketplace Coverage

Lowest Cost Bronze Plan (LCBP)
(Line 1 of Marketplace Coverage Affordability Worksheet)
Include:
- Everyone claimed on the tax return
- Unless they are:
  - Eligible for employer-sponsored coverage, or
  - Eligible for another exemption.

Note: You’ll include household members that have no coverage, Medicaid or Medicare coverage

Second Lowest Cost Silver Plan (SLCSP)
(Line 10 of Marketplace Coverage Affordability Worksheet)
Include:
- Everyone claimed on the tax return
- Unless they are:
  - Eligible for any other MEC (other than individual market), or
  - Eligible for another exemption.

Do you qualify for Health Care Exemptions?

To determine if you can claim the “Coverage is Unaffordable” exemption, you must enter the premium amounts. If you already know this return would not qualify to claim, 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)

$ | 

ACA: What Tax Preparers Need to Know

Marketplace Coverage Affordability Worksheet, Form 8965, page 12

Current as of 11-20-18
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?
- Hardship exemption?

**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

www.healthcare.gov/Tax-Tool

Note: LCBP and SLCSP are for 2017
Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21.

Max: Health coverage eligibility & exemption status

Select the months Max was eligible for employer coverage OR another coverage exemption in 2017

Select all  Clear all

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

Note: LCBP and SLCSP are for 2017
Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21.

Select the months Max was eligible for coverage outside the Marketplace like Medicare, Medicaid, or the Children’s Health Insurance Program (CHIP) in 2017, except for individual market coverage.

Any months for which you indicated that Max was eligible for employer coverage or qualified for another exemption are disabled. Max is either not eligible for or does not need a Marketplace coverage affordability exemption for these months.

[Checkboxes for months from Jan to Dec]

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

#### Your results

<table>
<thead>
<tr>
<th></th>
<th>Monthly SLCSP premium</th>
<th>Monthly LCBP premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$285.02</td>
<td>$231.51</td>
</tr>
<tr>
<td>Feb</td>
<td>$285.02</td>
<td>$231.51</td>
</tr>
<tr>
<td>Mar</td>
<td>$285.02</td>
<td>$231.51</td>
</tr>
</tbody>
</table>

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if the premium values captured from the healthcare.gov tax tool that is made available to you are higher than the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, you should also consider employer-sponsored coverage to further determine affordability.

- **Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)**
  - $232

- **Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)**
  - $285

[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.

Note: LCBP and SLCSP are for 2017
Example 2: Marketplace Affordability

Enter the **ANNUALIZED** contribution amount this individual must pay for the first situation below that applies to the individual.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse’s employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet **($12)**

This is the annual amount. Max could have enrolled in a plan for $1/mo! Enter $12 for each month we’re testing.

**MAX PETERS**

January

$12

**Coverage Considered Unaffordable Exemption**

Based on the information calculated using the Affordability Worksheet, you do not qualify to claim the Coverage is Considered Unaffordable exemption.

Note: **LCBP and SLCSP are for 2017**
Example 2: Marketplace Affordability

What does this look like in the CBPP tool?

```
Test for Code A Exemption (Affordability)

8.05% of income    $1,409

1. Does the taxpayer (or spouse) have an offer of self-only coverage from his or her own employer? If yes, determine the offer's affordability and STOP for this individual.
   No ◀

2. Does anyone have an offer of family coverage from an employer? If yes, determine the offer's affordability and STOP for this individual.
   No ◀
```

• Max had an offer of employer-sponsored coverage April – December.

• Here, we’ll answer no because he did not have an offer during the months we’re testing.

Note: LCBP and SLCSP are for 2017
Example 2: Marketplace Affordability

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

1) Monthly lowest cost bronze plan (LCBP) $232

For Virginia, look up the LCBP at www.healthcare.gov/tax-tool.

Who is included in Line 1? Look up and add together the LCBP for each person in the household who is: (1) claimed on the tax return, (2) not offered employer coverage, and (3) not eligible for another exemption. Include people who are eligible for or enrolled in Medicare, Medicaid, CHIP and the marketplace.

2) Household Income $17,500

3) Nontaxable Social Security $8

4) Add lines 2 + 3 $17,508

5) Federal poverty line for family size $12,068

6) Divide line 4 by line 5 145%

If line 6 is under 100% or 401% and over, skip lines 7 through 10 and enter zero on Line 11.

7) Find applicable figure 0.8378

8) Multiply line 4 by line 7 $662

9) Divide line 8 by 12 $55.17

Remember: We’re always testing using annual income, even if someone didn’t have income during the uninsured month.

ACA: What Tax Preparers Need to Know

Note: LCBP and SLCSP are for 2017

10) Monthly second lowest cost silver plan (SLCSP) $285

For Virginia, look up the SLCSP at www.healthcare.gov/tax-tool.

Who is included in Line 10? Look up and add together the SLCSP for each person in the household who is: (1) claimed on the tax return (2) not eligible for any coverage (except marketplace) and (3) not eligible for another exemption.

Only include an uninsured child in Line 10 if household FPL% on Line 5 is above this amount:

- Child (ages 0-1): 100%
- Child (ages 1-5): 205% X
- Child (ages 6-18): 205% X

Only include an uninsured adult in Line 10 if household FPL% on Line 5 is above this amount:

- Adults (without a dependent child): 205% X
- Parents with a dependent child: 100% X

For example, for a single person eligible for Medicaid but not enrolled, enter the LCBP in Line 1, and enter 0 on Line 10.

11) Subtract line 9 from line 10 $229.83

12) Subtract line 11 from line 1 $2.17

Annual cost of marketplace coverage $26

Marketplace coverage is affordable. Code A does NOT apply.

Current as of 11-20-18
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 $207. Her SLCSP is $276.

Does Summer qualify for an exemption?

**Line 1:** Summer’s LCBP is included because she is (1) not eligible for employer-sponsored coverage, and (2) not eligible for another exemption.

**Line 10:** At an income of 107% FPL (see Line 6) in a state that expanded Medicaid, she is eligible for Medicaid. Line 10 is zero so the exemption tool skips those lines.

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

The preparer needs to know when the SLCSP is zero. TaxSlayer doesn’t calculate that.
How to Integrate TaxSlayer, HealthCare.gov & CBPP Tool

- Start in TaxSlayer with insurance coverage questions
- Is there an easy exemption?
  - Income below the filing threshold?
  - Short coverage gap?
  - Non-citizen?
  - Hardship?
- If you need to move to income-related exemptions, the CBPP tool can do the math.
- If you need to use the affordability exemption, go to HealthCare.gov or your state’s marketplace
- Enter figures in the CBPP tool to calculate exemption eligibility. Print the page for the taxpayer.
- Then enter in TaxSlayer

[Example at: https://prosperitynow.org/blog/tax-prep-dispatch-you-cant-afford-overlook-affordability]
Always Preview the Return!

SCHEDULE 4
(Form 1040)

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040
GORDON

Other Taxes

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>57</td>
<td>Self-employment tax. Attach Schedule SE</td>
</tr>
<tr>
<td>58</td>
<td>Unreported social security and Medicare tax from: Form a □ b □</td>
</tr>
<tr>
<td>59</td>
<td>Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required</td>
</tr>
<tr>
<td>60a</td>
<td>Household employment taxes. Attach Schedule H</td>
</tr>
<tr>
<td>60b</td>
<td>Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required</td>
</tr>
<tr>
<td>61</td>
<td>Health care: individual responsibility (see instructions)</td>
</tr>
<tr>
<td>62</td>
<td>Taxes from: a □ b □ c □</td>
</tr>
<tr>
<td>63</td>
<td>Section 965 net tax liability installment from Form 965-A</td>
</tr>
<tr>
<td>64</td>
<td>Add the amounts in the far right column. These are your total other taxes. Enter here and on Form 1040, line 14</td>
</tr>
</tbody>
</table>

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

ON A
Contact Information

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