Health Reform: **Beyond the Basics**

Updated December 2013

Question of the Day: Tax Filing Status and Eligibility for Premium Tax Credits

What are the different ways people file their taxes and how does that affect a person's eligibility for premium tax credits?

Every taxpayer chooses a "filing status" on his or her tax return.

- Single is someone who is not married or is legally separated from their spouse.
- Married filing jointly is a couple who are legally married and wish to file their taxes together.
- A qualifying widow/widower is a person with a dependent child whose spouse has died in the last two years.
- Head of household is someone who has a dependent child living with them, pays more than half the cost of keeping up the home, and is either not married or is married but lived apart from their spouse for the last 6 months of the tax year.
- Married filing separately is the tax status used for a legally married couple that chooses to file their taxes separately.

A person cannot claim a premium tax credit for 2014 if he or she plans to use the filing status married filing separately in that year. This means that a married person will need to file jointly with his or her spouse or qualify as head of household in order to claim a premium tax credit.

What happens if I get premium tax credits, but then for personal reasons need to file as married filing separately? Do I need to return the full premium tax credit?

If a married person intends to file jointly and accepts advanced premium tax credits but instead files as married filing separately, a portion of the premium tax credit will need to be paid back. The repayment is subject to the same income-based limits that apply when a family receives excess advanced premium tax credit for other reasons.

Repayment Limits for Advanced Premium Tax Credits				
Income as percentage of poverty line	Annual income for an individual (2013 $)	Single taxpayers	Annual income for a family of four (2013 $)	Married taxpayers filing jointly
Under 200%	Under $22,980	$300	Under $47,100	$600

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At least 200% but less than 300%	$22,980 - $34,470	$750	$47,100 - $70,650	$1,500
At least 300% but less than 400%	$34,470 - $45,960	$1,250	$70,650 - $94,200	$2,500
400% and above	$45,960 and higher	Full reconciliation	$94,200 and higher	Full reconciliation

Under what circumstances can a married person decide not to file taxes with a spouse and still claim the premium tax credit?

A person who is married but does not wish to file or cannot file taxes with a spouse may qualify to file under a different filing status, which would also allow them to claim premium tax credits. First, if a person has been granted formal legal separation through a court, he or she qualifies to file as a single individual. Second, a person may qualify to file as head of household if a qualifying person lives with them for more than half the year (usually a dependent child but some other dependents qualify as well), the taxpayer pays more than half the cost of keeping up the home, and if the spouses have been living apart for the last six months of the tax year. Since eligibility for premium tax credits is based on a projection of the income and household for the coming year, it can be difficult for someone to know in advance if they will be separated from a spouse in the final six months of the following year but if spouses have been consistently separated, yet have not divorced, the head of household filing status may help one or both spouses claim the premium tax credit.

Our client is married but has left her husband due to domestic violence. She doesn't want to file a tax return with him. Can she qualify for premium tax credits?

She may meet the requirements to file as head of household if she pays more than half the expense of keeping up her home, has a qualifying dependent, and will live apart from her husband for the last six months of the tax year in which the premium tax credit is used. If a person doesn't qualify as head of household, she should consider legal separation or divorce, which would allow her to file as single. If separation or divorce are finalized by the last day of the tax year, the person is considered single for the entire year. Some people may have no choice but to file separately. Recognizing the difficulties some taxpayers encounter that leave no choice but filing separately from their spouse, the IRS has indicated that it may create some special exemptions from this requirement, specifically mentioning survivors of domestic violence. This guidance has not yet been issued.

My client didn't file his taxes in 2012. Is he still eligible for a premium tax credit for 2014?

Yes. There is a requirement that a person who receives a premium tax credit file a tax return for the year in which he receives the credit, but there is no requirement to file a return in previous years. So a client who receives a premium tax credit in 2014 must file a 2014 tax return in the spring of 2015.

Do people earning less than the threshold for filing taxes ($10,150 for a single individual and $20,300 for a married couple filing jointly) have to file taxes in order to receive premium tax credits?

Yes, anyone receiving an advance payment of premium tax credits and anyone who wants to claim a premium tax credit must file a tax return even if their income is below the threshold. This requirement applies in the "coverage" year. The first possible coverage year is 2014, so it doesn't matter if people have not filed taxes in previous years but they must agree to file taxes in 2014 if they are now applying for premium credits to help them pay for marketplace coverage.

Are lawfully residing immigrants who are below 100% of the federal poverty line eligible for premium tax credits?

Yes. A lawfully residing immigrant who is not eligible for Medicaid because of her immigration status—usually but not always because she has been in the U.S. less than five years—can qualify for premium tax credits even if her income is below the poverty line. However, a legal immigrant with income below the poverty line who would qualify for Medicaid if her state expanded is not eligible under this exception to the general rule that people with incomes below the poverty line are not eligible for premium tax credits. The exception only applies to legal immigrants who are not eligible for Medicaid because of their immigration status.

Is the household used to determine eligibility for premium tax credits the same as the household size that buys coverage as a family?

The definition of household for purposes of eligibility for and the amount of premium credits is based on tax rules. It doesn't always match the family that can buy coverage together. For example, children may have coverage through the Children's Health Insurance Program or the household may include an aunt or other dependent not usually treated as a family member for the purposes of family coverage.