What Volunteer Tax Preparers Need to Know to Help Taxpayers Apply for Health Coverage
What Coverage Will Look Like in 2014

Medicaid and CHIP coverage, based on 2012 eligibility levels in a typical state
Source: Kaiser Commission on Medicaid and the Uninsured
About Half the States Will Expand Medicaid

Source: CBPP. Map current as of Nov 22, 2013
The Coverage Gap

In non-expansion states, some very low-income people will **not** be eligible for either Medicaid or premium tax credits.

To learn about your state’s coverage gap, visit: [http://kff.org/interactive/uninsured-gap/](http://kff.org/interactive/uninsured-gap/)
Cost-Sharing Reductions

New **tax credits** help pay the cost of premiums for private insurance that is purchased in the “Marketplace” – a new place to shop for coverage.

Help is available to a taxpayer who:

- Is a US citizen or legal immigrant
- Has income between 100 and 400% of the federal poverty level (FPL) (or below 100% FPL for lawfully present immigrants not eligible for Medicaid)
- Is not eligible for:
  - Medicare, Medicaid, or most other public coverage
  - Employer coverage that meets certain requirements

<table>
<thead>
<tr>
<th>Family Size</th>
<th>100% FPL</th>
<th>400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,490</td>
<td>$45,960</td>
</tr>
<tr>
<td>4</td>
<td>$23,550</td>
<td>$94,200</td>
</tr>
</tbody>
</table>
Premium Tax Credits

- Reduces the out-of-pocket charges for covered medical care
- Available to premium credit eligible individuals with income up to 250% FPL
- Must enroll in a silver plan through the Health Insurance Marketplace
Calculating the Premium Tax Credit Amount

<table>
<thead>
<tr>
<th>Credit Amount</th>
<th>Cost of Benchmark Plan</th>
<th>Expected Premium Contribution</th>
</tr>
</thead>
</table>

**Benchmark plan:** Second lowest cost silver plan, as determined by the Marketplace

**Expected premium contribution:** A percentage of income someone is expected to pay, based on a sliding scale
Example: Single Individual

John:
- 24 years old
- Income of $28,725 (250% FPL)
- Expected contribution: 8.05% or $2,312

3 Lowest Cost Silver Plans Covering John:
- Plan A: $2,800
- Plan B: $3,018
- Plan C: $3,200

Premium Credit:
$3,018 - $2,312 = $706
Example: Impact of Income on Premium Credit Amount

John:

<table>
<thead>
<tr>
<th>Age: 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Cost: $3,018</td>
</tr>
</tbody>
</table>

Premium Credit: $2,329

Expected Contribution: 4% of income or $689

Example 1:

150% FPL or $17,235

$2,329

$689

Example 2:

250% FPL or $28,725

$706

$2,312

Premium Credit: $706

Expected Contribution: 8.05% or income or $2,312
How Do People Apply for Coverage?

- Multiple Ways to Enroll
- Single Application for Multiple Programs
- Use of Electronic Data to Verify Eligibility
- Real-Time Eligibility Determinations

Source: Kaiser Family Foundation
Establishing Households

- Household size determines a family’s position on the federal poverty scale

<table>
<thead>
<tr>
<th>Persons in household</th>
<th>Poverty guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,490</td>
</tr>
<tr>
<td>2</td>
<td>$15,510</td>
</tr>
<tr>
<td>3</td>
<td>$19,530</td>
</tr>
<tr>
<td>4</td>
<td>$23,550</td>
</tr>
</tbody>
</table>

- Households show whose income counts in a MAGI determination
- Households can help figure out tax filing status
# Medicaid and Tax Credit Household Differences

<table>
<thead>
<tr>
<th>Medicaid Households:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✷ Does not always equal the tax unit</td>
</tr>
<tr>
<td>✷ Based on individual determination – household size may vary across family members</td>
</tr>
<tr>
<td>✷ State options in defining households</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Premium Tax Credit Households:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✷ Always equals the tax unit</td>
</tr>
<tr>
<td>✷ Tax unit determined together – members of tax unit have the same household size</td>
</tr>
<tr>
<td>✷ Consistent rules across all states</td>
</tr>
</tbody>
</table>
Defining What Income Counts

- Amount of premium credit based on MAGI

\[
\text{Modified Adjusted Gross Income (MAGI)} = \text{Adjusted Gross Income (AGI, as defined by IRS)} + \text{Excluded foreign income} + \text{Tax exempt interest} + \text{Non-taxable Social Security Benefits}
\]
Estimating Income

- Current employment
- Other income
- Deductions
- Yearly and projected income for *coverage* year

31. **DEDUCTIONS**: Check all that apply, and give the amount and how often you get it.

If PERSON 2 pays for certain things that can be deducted on a federal income tax return, telling us about them could make the cost of health coverage a little lower.

**NOTE**: You shouldn’t include a cost that you already considered in your answer to net self-employment (question 29b).

- [ ] Alimony paid $_____ How often? ____________
- [ ] Other deductions $_____ How often? ____________
- [ ] Student loan interest $_____ How often? ____________

32. **YEARLY INCOME**: Complete only if PERSON 2’s income changes from month to month.

If you don’t expect changes to PERSON 2’s monthly income, add another person or skip to the next section.

| PERSON 2's total income **this year** $ | PERSON 2's total income **next year** (if you think it will be different) $ |
Projecting Income

- People who have variable or unpredictable income will need more help and guidance:
  - Self-employed
  - Hourly workers
  - Seasonal workers

- Estimating income by job or by month will require documentation:
  - Receipts, invoices, bank records, etc.
Key Types of Minimum Essential Coverage

Government-Sponsored Coverage

✓ Medicare
✓ Most types of Medicaid
✓ Most veterans and military coverage
✓ CHIP

Private Insurance

✓ Nearly all employer-sponsored insurance
✓ Most plans sold in the insurance market (inside or outside the Marketplace)

Other Insurance, as designated by the Secretary of HHS

“Single-benefit” coverage is not MEC, e.g., Medicaid for family planning.

Regardless of minimum value or affordability

Not short-term coverage or “excepted benefits,” like stand-alone vision or dental insurance
Jumping the Firewall from Employer to Subsidized Marketplace Coverage

If unaffordable or inadequate

Offer of Employer Coverage

Premium Tax Credits
How Do People Get the Premium Credits?

- **In Advance**
  - **Health Insurance Marketplace**
    - $$$$$ Advance Payment of the Tax Credit
  - **CareFirst BlueCross BlueShield**
    - $$ Expected Premium Contribution

- **During Tax Time**
  - Person filling out tax form
Changes in Circumstances

- Premium Credit eligible taxpayers will need to be reminded that changes in circumstances may affect their eligibility.
Changes in Circumstances

✧ Eligibility for and final amount of the premium credit is based on actual income
✧ At tax filing, advance payments received are reconciled with the actual credit amount

<table>
<thead>
<tr>
<th>Actual income</th>
<th>&gt;</th>
<th>Projected income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$$$$$</td>
<td></td>
<td>$ $$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actual income</th>
<th>&lt;</th>
<th>Projected income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$$</td>
<td></td>
<td>$$$$$</td>
</tr>
</tbody>
</table>
## Cap on Reconciliation

<table>
<thead>
<tr>
<th>Income as percentage of poverty line</th>
<th>Annual income for an individual (2013 $)</th>
<th>Single taxpayers</th>
<th>Annual income for a family of four (2013 $)</th>
<th>Married taxpayers filing jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 200%</td>
<td>Under $22,980</td>
<td>$300</td>
<td>Under $47,100</td>
<td>$600</td>
</tr>
<tr>
<td>At least 200% but less than 300%</td>
<td>$22,980 - $34,470</td>
<td>$750</td>
<td>$47,100 - $70,650</td>
<td>$1,500</td>
</tr>
<tr>
<td>At least 300% but less than 400%</td>
<td>$34,470 - $45,960</td>
<td>$1,250</td>
<td>$70,650 - $94,200</td>
<td>$2,500</td>
</tr>
<tr>
<td>400% and above</td>
<td>$45,960 and higher</td>
<td>Full reconciliation</td>
<td>$94,200 and higher</td>
<td>Full reconciliation</td>
</tr>
</tbody>
</table>


Health Insurance is Required

- On next year’s tax return, taxpayers will report whether or not they had insurance in each month in 2014.

- Taxpayers without insurance for a month will pay a penalty for themselves and any dependents who are uninsured.

- Tax penalties will start small but grow over the next 3 years.

- Some people will be exempt from the penalties based on their income, the cost of insurance, or other factors.
## The Penalty for Not Obtaining Coverage

The **Annual Penalty is the GREATER of:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Flat dollar amount</th>
<th>OR</th>
<th>Percentage of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Each adult: $95</td>
<td></td>
<td>1% of applicable income*</td>
</tr>
<tr>
<td></td>
<td>Each child: ½ adult ($47.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maximum: $285</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>Each adult: $325</td>
<td></td>
<td>2% of applicable income*</td>
</tr>
<tr>
<td></td>
<td>Each child: ½ adult ($162.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maximum: $975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 and beyond</td>
<td>Each adult: $695</td>
<td></td>
<td>2.5% of applicable income*</td>
</tr>
<tr>
<td></td>
<td>Each child: ½ adult ($347.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maximum: $2,085</td>
<td></td>
<td></td>
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</tbody>
</table>

*Income above the tax filing threshold*
Exemptions from the Penalty

**Exemptions Granted by the Marketplace**
- Religious conscience
- Hardship, such as:
  - Difficulty paying bills
  - State failure to expand Medicaid
  - Unaffordability of insurance

**Exemptions Granted at Tax Filing**
- Income below filing threshold
- Insurance is unaffordable
- Undocumented resident
- Short coverage gap (<3 months)

**Exemptions Granted by Either**
- Indian tribe membership
- Incarceration
- Health care sharing ministry