# Beyond the Basics of Exemptions and Special Enrollment Periods

*Center on Budget and Policy Priorities*

March 26, 2014

Part I:

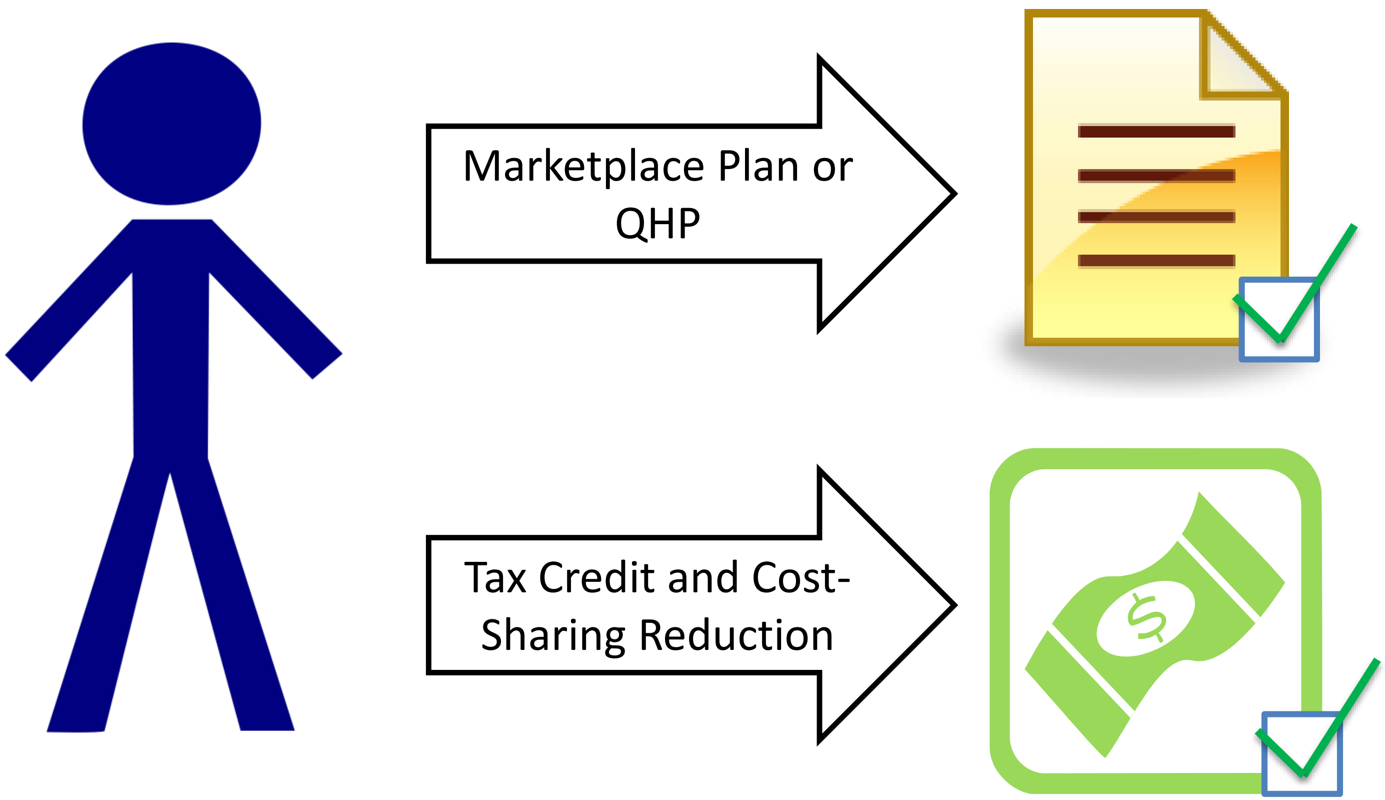
# SPECIAL ENROLLMENT PERIODS

# Open Enrollment

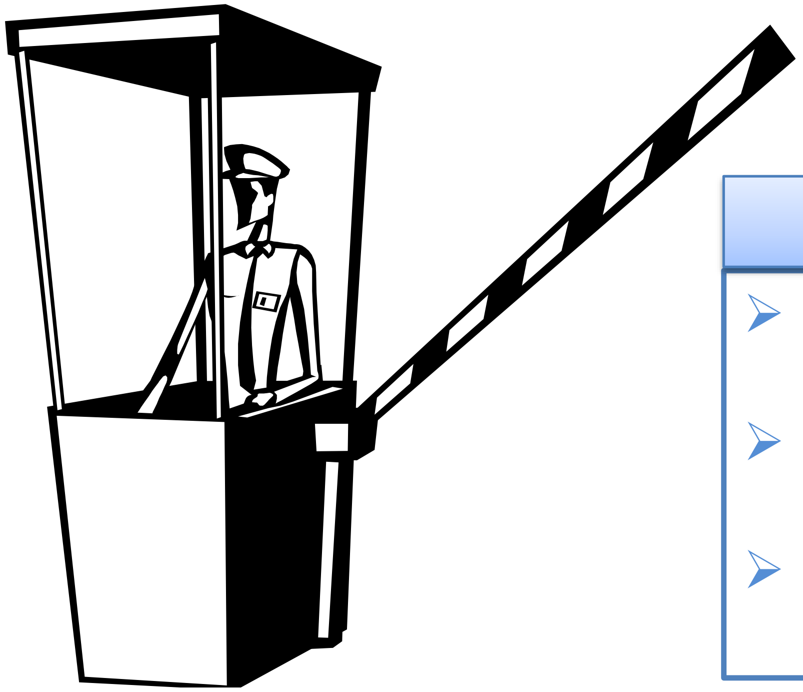
**Annual Period When All Eligible Individuals Can *Enroll* in a Qualified Health Plan**

- Marketplaces will determine eligibility to enroll in a QHP, assess (or determine) eligibility for Medicaid and CHIP, and determine eligibility for premium tax credits and cost-sharing reductions *all* year.
- But a person can only enroll in a QHP during open enrollment or during a special enrollment period.
- For 2014 Coverage: Oct. 1, 2013 – March 31, 2014
- For 2015 Coverage: Nov. 15, 2014 – Feb. 15, 2015

# A person must be enrolled in a QHP to receive subsidies



# Outside of open enrollment, when can someone enroll in or switch Marketplace plans (or QHPs)?



**SPECIAL ENROLLMENT PERIOD**

- Can occur at any point in the year
- Is triggered by specific life events
- Usually gives a person 60 days from the triggering event to take action

# SEPs Triggered Regardless of QHP Enrollment

- **Life Changes**
  - Marriage
  - Birth, adoption, placement for foster care or adoption
  - Becoming a citizen, national, or lawfully present individual
  - Permanent move
- **Loss of Minimum Essential Coverage (MEC)**
  - Includes loss of eligibility for employer coverage, Medicaid, CHIP, COBRA
  - Also triggered when an enrollee in employer plan becomes newly eligible for subsidies because employer plan is no longer affordable or adequate
  - Does not generally include voluntary termination of other MEC
- **Other Situations**
  - Error or inaction by Marketplace or HHS
  - Exceptional Circumstances
  - Misconduct by a non-Exchange entity
  - Special rule for Indians and Alaska Natives

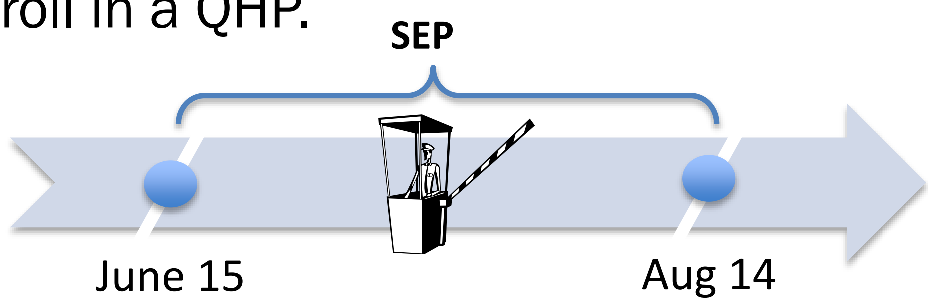
# SEPs Triggered Only for QHP Enrollees

- Enrollee demonstrates the QHP he or she was enrolled in substantially violated a material provision of its contract in relation to the enrollee.
- Enrollee (or a dependent enrolled in the same QHP) is newly eligible or ineligible for an advance premium tax credit (APTC).
- Enrollee (or a dependent enrolled in the same QHP) has a change in eligibility for cost-sharing reductions (CSRs).

# SEP Timing: Usually 60 Days from Triggering Event

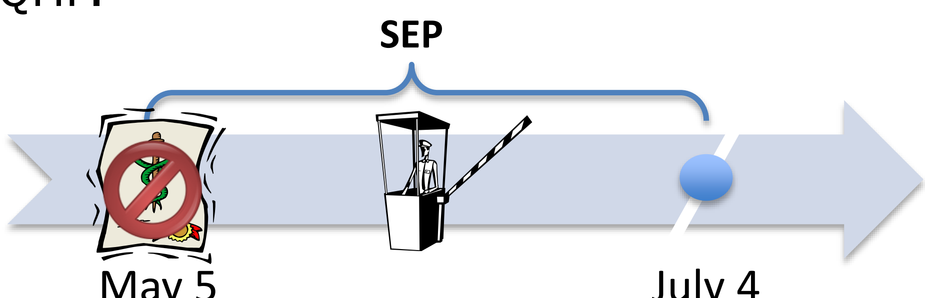
- Rashid becomes a citizen in June. This triggers an SEP.

  - He has 60 days from the date of naturalization to enroll in a QHP.




- John loses his employer coverage.

  - He has 60 days from the loss of the coverage to select a QHP.

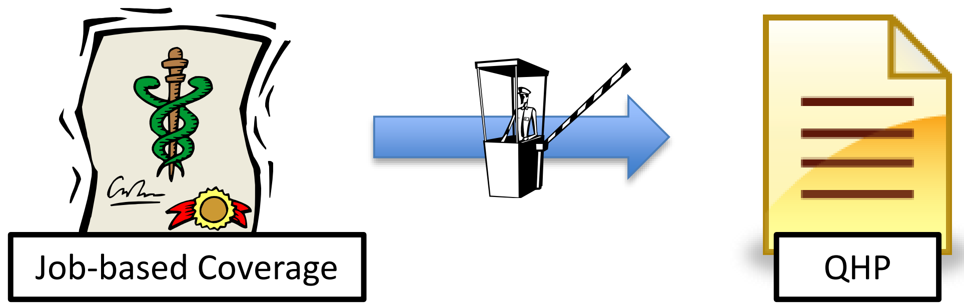


# Cost-Sharing Charges and SEPs

- Annual deductibles and out-of-pocket caps are set on a calendar-year basis.
- These charges are not pro-rated for people using an SEP to enroll in a QHP later in the year.
- People using an SEP to change to a different QHP during the year “start over” on cost-sharing charges.

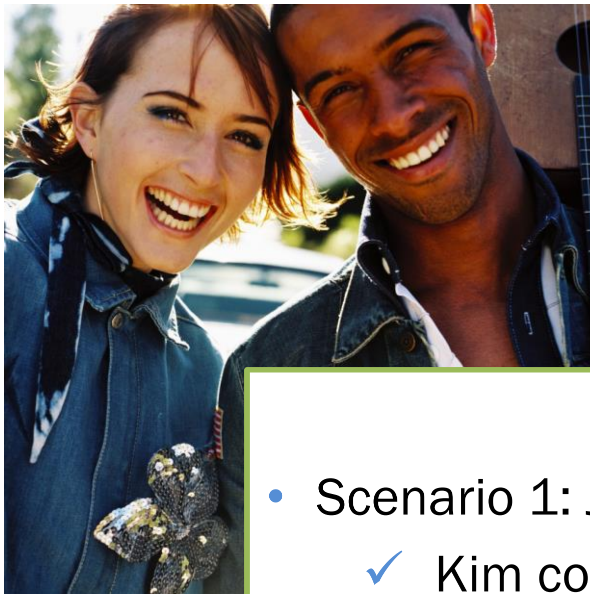
# Example: Cost-Sharing Charges and SEPs

- John loses job-based coverage and enrolls in a QHP starting in June.




- The plan has a $2,000 deductible, the same as it would have had if John had started coverage in January.

# "Life Change" Example: Marriage

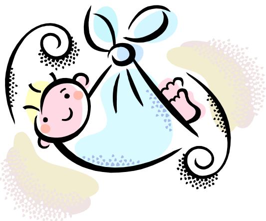


- Jay and Kim get married.
- They both get an SEP.

Their SEP Options:

- Scenario 1: Jay has a QHP.
  - ✓ Kim could join his QHP.
  - ✓ Kim could enroll in a different QHP.
  - ✓ Jay could enroll in a different plan with Kim.
- Scenario 2: Neither Jay nor Kim has coverage.
  - ✓ They could both newly enroll in a QHP.

# "Life Change" Example: Birth of a Baby

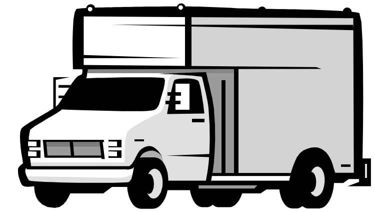


- Maya gave birth to her son, Lucas, on June 15

Their SEP Options:

- Scenario 1: Maya has a QHP.
  - ✓ She decides to add Lucas to her QHP.
- Scenario 2: Maya isn't enrolled in a QHP.
  - ✓ She enrolls herself and Lucas in a QHP.

# "Life Change" Example: Permanent Move



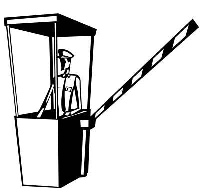
- Nadif, Fatima and Amina move to a new state

Their SEP Options:

✓ All members of the family can newly enroll in coverage.

✓ All members of the family can change to a different QHP in their new state.

- This SEP applies if they make a permanent move:



  - To a new state
  - To a different part of the same state (potentially the same city or a neighboring county) provided they gain access to new QHPs
  - Back to the U.S. after living abroad

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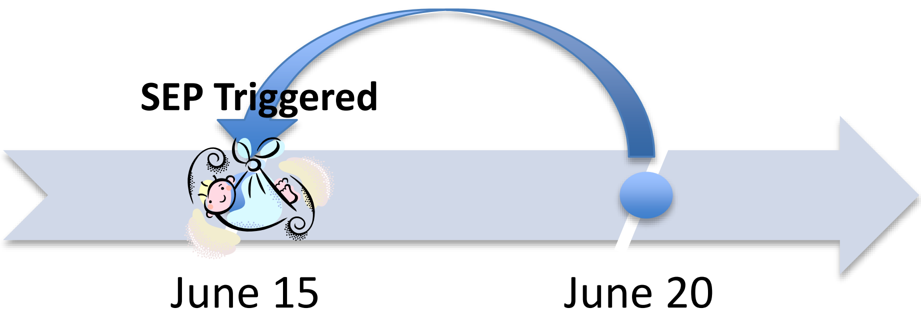
# "Life Change" SEPs: Coverage Effective Dates

| SEP Triggering Event | Special or Regular Coverage Effective Date? | When Does Coverage Start? |
|---|---|---|
| Marriage | Special | First day of the following month |
| Birth, Adoption, Adoption or Foster Care Placement | Special | Date of the birth, adoption, or placement |
| Becoming a Citizen, National, or Lawfully Present Individual<br><br>Permanent Move | Regular | First day of following month if plan selected between the 1st and 15th<br><br>First day of second following month if plan selected between the 16th and the last day of the month |

# Birth of a Baby: Coverage Effective Date

- Maya gave birth to Lucas on June 15.
- Maya is already enrolled in a QHP.
- Maya contacts the exchange in her state on June 20 and asks for Lucas to be added to her plan.



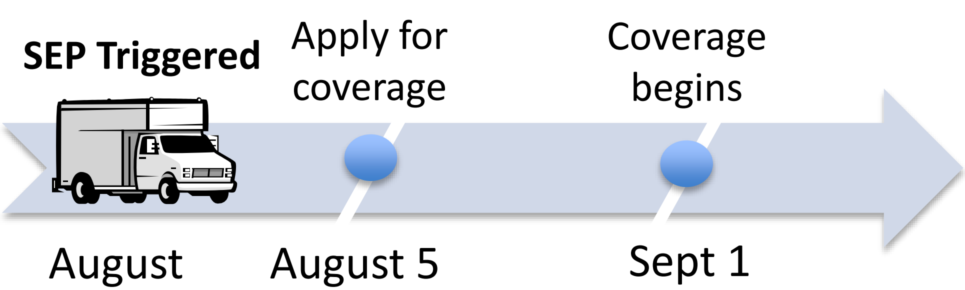

- Lucas's coverage is effective as of June 15.

  (A proposed rule may let Maya set the date later.)

# Permanent Move: Coverage Effective Date

- Nadif, Fatima, and Amina move in early August from Illinois to Ohio.
- They have been uninsured.
- They apply at the exchange in Ohio and select a plan on August 5.

- The coverage effective date for the family is September 1




*NOTE: If they select a plan on August 20, the coverage would begin October 1.*

# Examples of "Loss of Minimum Essential Coverage" SEPs

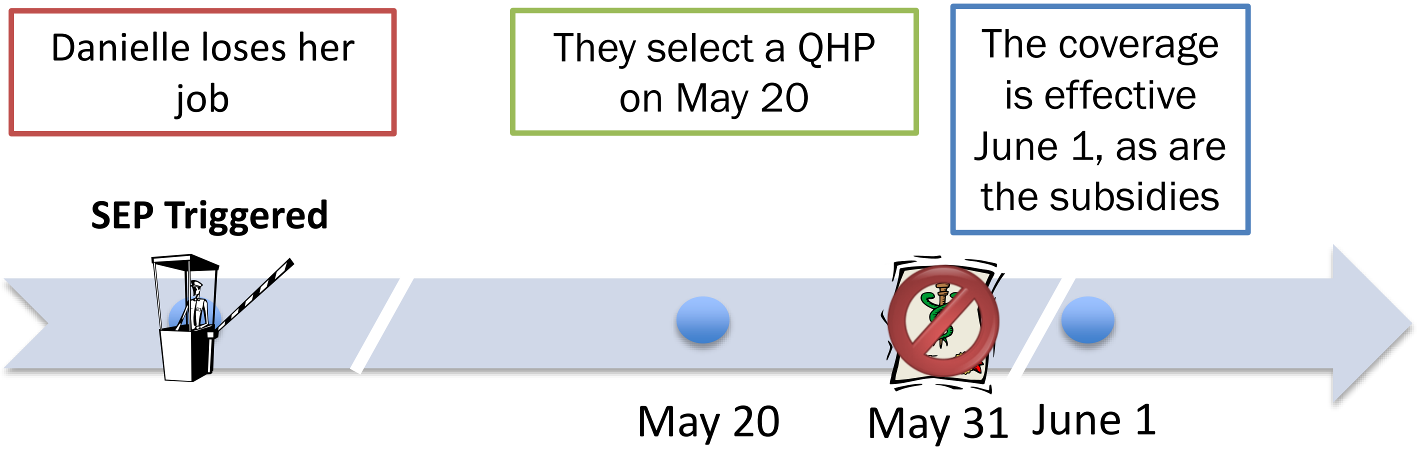
- Loss of eligibility for an employer plan (i.e., loss of a job or a reduction in work hours)
- Loss of eligibility for Medicaid or CHIP
- Loss of coverage due to divorce or legal separation
- Expiration of COBRA coverage
- Loss of coverage due to loss of dependent status
- Loss of coverage due to death of policyholder

# "Loss of MEC" SEPs: Coverage Effective Dates

| Triggering Event | When does coverage start? |
|---|---|
| Loss of MEC | First day of the following month |
| Future loss of MEC (within the next 60 days) | First day of the month after the old coverage ends |

# Example: Loss of Employer Coverage

- Joe and Danielle are enrolled in health insurance that Danielle gets through her job.
- Danielle loses her job in May, and her health benefits are scheduled to end on May 31.
  - She is offered COBRA, but it would cost a lot.
- Joe and Danielle instead apply for coverage at the Marketplace in their state.
  - They qualify for subsidies and an SEP for loss of MEC.

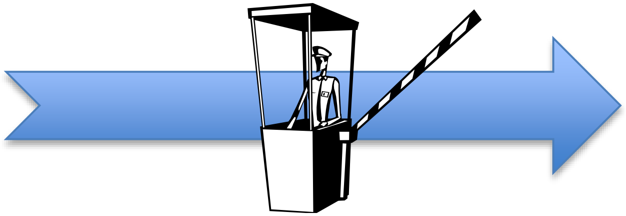


# "Other Situation" SEPs

- Error or inaction by Marketplace or HHS
  - Enrollment or non-enrollment in a QHP was the result of error, misrepresentation, or inaction of an officer, employee, or agent of the Exchange or its instrumentalities.
  - Exchange evaluates and determines eligibility for SEP.
- Exceptional circumstances
  - Subject to HHS guidelines.
  - Per 2013 federal guidance, so far includes people who obtain a hardship exemption from the shared responsibility penalty and then (due to changes in circumstance) lose eligibility for the hardship exemption.

# Example: Loss of Hardship Exemption

- George works as a carpenter in Missouri.
- His income is 90% of the federal poverty line.
- He is ineligible for Medicaid because his state has not expanded Medicaid.
  - Because of this, obtains a hardship exemption.
- Recently, he took on a new client. That raises his income above 138% of the poverty line and means that he is no longer eligible for this particular hardship exemption.



The loss of the hardship exemption triggers an SEP to get a Marketplace plan.
He is also eligible for subsidies.

# "Other Situation" SEPs (continued)

- Misconduct by a non-exchange entity providing formal enrollment assistance
  - Exchange determines that someone was not enrolled in the QHP, not enrolled in the QHP selected by the individual, or is eligible but not receiving subsidies as a result of misconduct by an entity providing enrollment assistance or conducting enrollment activities.
  - HHS interprets this provision as applying to navigators, non-navigator assisters, certified application counselors, agents or brokers assisting exchange consumers, and insurer customer service representatives.

# "Other Situation" SEPs (continued)

- Special rule for American Indians and Alaska Natives
  - Applies to people defined as Indian by section 4 of the Indian Health Care Improvement Act.
  - They may enroll in a QHP or change from one QHP to another one time per month.

# "Other Situation" SEPs: Coverage Effective Dates

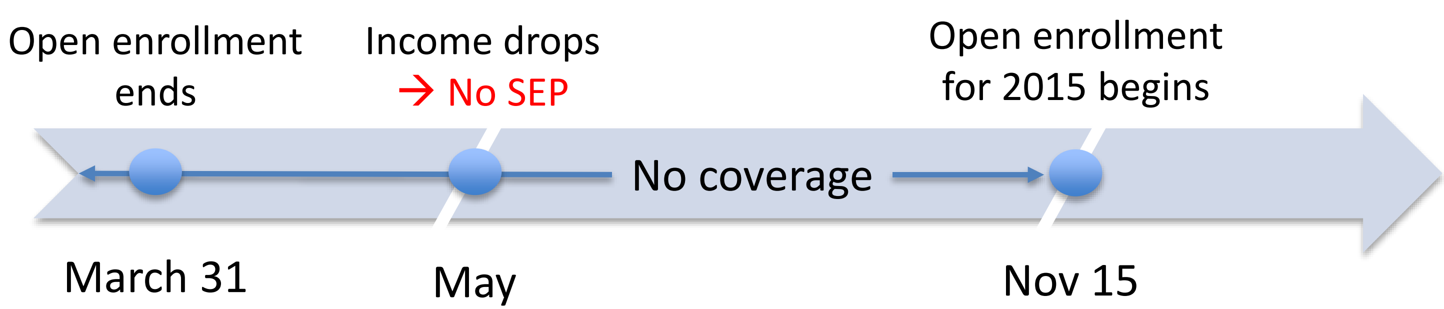
| Triggering Event | When does coverage start? |
|---|---|
| Error or inaction by Marketplace or HHS | Effective date must be appropriate to circumstances of the event and consistent with HHS guidelines |
| Exceptional circumstances | Same as above |
| Misconduct by non-exchange entity providing enrollment assistance | Same as above (per proposed rule) |
| Special rule for American Indians and Alaska Natives | First day of following month if plan selected between the 1st and 15th; first day of second following month if plan selected between the 16th and the last day of the month |

# What does not trigger a SEP?

- Voluntarily dropping other coverage
- Loss of eligibility for coverage when the person was not enrolled in it (i.e., loses job, but was not in the employer's health plan)
- Being determined newly eligible for Marketplace subsidies – unless already enrolled in a QHP
- Income change on its own
- Being terminated from other coverage for not paying premiums or for fraud
- Divorce or death of a family member without a resulting loss of coverage

# Example: No SEP for Income Change

- Carla's employer offers coverage, but she does not enroll.
- Carla finds out in May (after open enrollment ends) that her work hours are being reduced.
  - Her income is dropping and now she would be eligible for subsidies in the exchange.
  - But this does not trigger an SEP.
  - Carla must wait to get coverage until the next open enrollment period.



Part II:

# EXEMPTIONS FROM THE INDIVIDUAL RESPONSIBILITY REQUIREMENT

# Requirement to Have Health Coverage: Key Points

- Everyone is required to have ***minimum essential coverage*** (MEC) in 2014
- Those without MEC will pay a shared responsibility payment, unless exempt
  - Taxpayer is responsible for dependents
- Coverage requirement, penalties, and most exemptions apply on a monthly basis
- One day rule:
  - A person has coverage for the month if they have coverage for *at least one day* in the month
  - A person is eligible for an exemption for the month if they are exempt for *at least one day* in the month

# Key Types of Minimum Essential Coverage

## Government-Sponsored Coverage

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

*Note:* "Single-benefit" coverage is not MEC, e.g., Medicaid for family planning.

## Private Insurance

- ✓ Nearly all employer-sponsored insurance
  - Regardless of minimum value or affordability
- ✓ Most plans sold in the insurance market (inside or outside the Marketplace)
  - Not short-term coverage or "excepted benefits," like stand-alone vision or dental insurance

## Other Insurance, as designated by the Secretary of HHS

# Exemptions from the Penalty

**Granted by Marketplace**

- Hardship, including:
  - Life circumstances
  - Insurance is unaffordable
  - State failure to expand Medicaid
  - Eligible for Indian Health services
  - Plan cancellation
- Member of certain religious sects

**Granted at Tax Filing**

- Income below filing threshold
- Insurance is unaffordable
- Certain noncitizens
- Short coverage gap (< 3 months)
- Gap before effective date of Marketplace coverage purchased during open enrollment

**Granted by the Marketplace or at Tax Filing**

- Indian tribe membership
- Incarceration
- Health care sharing ministry

*http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Exemptions*

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# Marketplace Exemptions

- The taxpayer must apply to the Marketplace in a timely way with supporting documentation.
- Certain exemptions make a person eligible to purchase catastrophic coverage (even if they are over age 30).
- In most cases, a person who is granted an exemption by the Marketplace must report a change in circumstances.

Form Approved
OMB No. 0938-1190

## Application for Exemption from the Shared Responsibility Payment for Individuals who are Unable to Afford Coverage and are in a State with a Federally Facilitated Marketplace

THINGS TO KNOW

**Use this application to apply for an exemption from the shared responsibility payment**

- Starting in 2014, every person needs to have health insurance or make a payment on his or her federal income tax return. This is called the "shared responsibility payment."
- Some people are exempt from making this payment. This application includes one category of exemption. There are other applications for other categories of exemptions, and you'll also see some exemption **categories when you file your federal income tax return.**
- **You don't need to ask for an exemption if you're not going to file a federal income tax return because your income is below the filing** threshold. If you aren't sure, you may want to ask for an exemption.

**Who can use this application?**

- **Use this application if you're unable to afford coverage. If you get this exemption, you may be able to buy catastrophic coverage.**
- Use this application to ask for an exemption for months in the future. If you want this exemption for a whole calendar year, you need to request it before the year starts. You can also claim an exemption on **your federal income tax return if you're unable to afford coverage.**
- You can use one application to ask for this exemption for more than one person in your tax household.

**What you need to apply**

- Social Security numbers (SSNs), if you have them.
- Employer and income information for everyone in your family (for example, from pay stubs, W-2 forms, or wage and tax statements.)
- Information about any job-related health insurance available to your family.
- Proof of your yearly income for 2014. See page 9 for examples of documents you can send.

**Why do we ask for this information?**

We ask for Social Security numbers and other information to make **sure your exemption is counted when you file your federal income tax** return. **We'll keep all the information you give private and secure, as required by law.** To view the Privacy Act Statement, go to HealthCare.gov or see instructions.

**What happens next?**

Send your complete, signed application to the address on page 8. We'll follow-up with you within 1–2 weeks and let you know if we need additional information. If you get this exemption, we'll give you an **Exemption Certificate Number that you'll put on your federal income tax** return. If you don't hear from us, visit HealthCare.gov, or call the Health Insurance Marketplace Help Center at **1-800-318-2596**. TTY users should call **1-855-889-4325**.

**Get help with this application**

- **Online:** HealthCare.gov.
- **Phone:** Call the Health Insurance Marketplace Call Center at **1-800-318-2596**.
- **In person:** There may be counselors in your area who can help. Visit HealthCare.gov or call **1-800-318-2596** for more information.
- **En Español:** Llame a nuestro centro de ayuda gratis al **1-800-318-2596**.

*www.healthcare.gov/exemptions*

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# Marketplace Exemptions: Hardship

| Types of Hardship | Duration |
|---|---|
| **Financial or domestic circumstances**<br>◆ *Homelessness*<br>◆ *Eviction in the last 6 months or facing eviction or foreclosure*<br>◆ *Utility shut-off notice*<br>◆ *Bankruptcy*<br>◆ *Domestic violence*<br>◆ *Recent death of family member*<br>◆ *Disaster that resulted in significant property damage*<br>◆ *Debt from medical expenses*<br>◆ *High expenses caring for ill, disabled or aging relative*<br>◆ *Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP*<br>◆ *Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled*<br>◆ *Individual health insurance plan was cancelled and Marketplace plans are considered unaffordable*<br>◆ *Other hardship in obtaining coverage* | At least one month before and after hardship<br><br><u>Special rule:</u> Can be claimed up to 3 years after the month of the hardship |

# Example: Hardship

- Rose is uninsured and supports her mother, Priya, who is 66-years-old.
- Her mother has Medicare but had a serious illness that led to high out-of-pocket costs.
- Because Rose was trying to pay her mother's medical bills, she couldn't afford insurance for herself.
- Is Rose eligible for an exemption for herself?
  - *Probably. Rose can apply for an exemption for herself due to the high expense of caring for an ill relative.*

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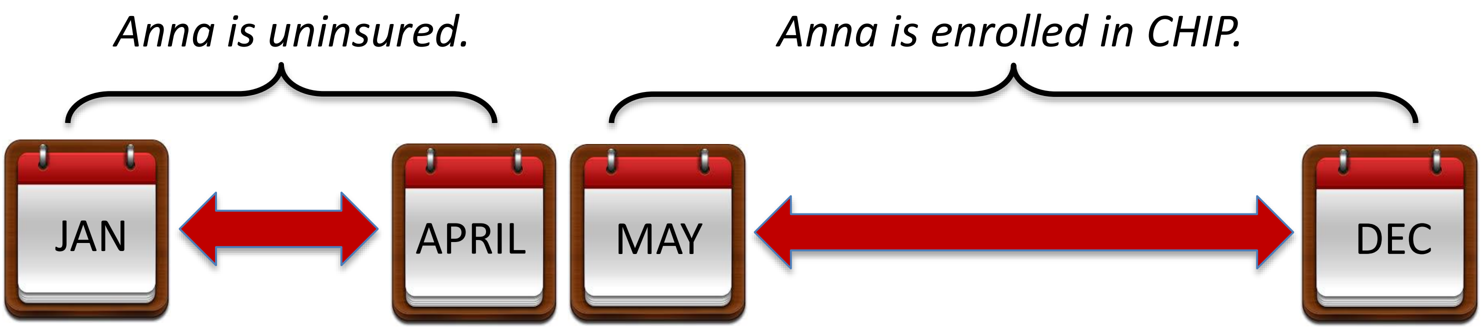
# Example: Hardship

- Rose also lives with her daughter, Anna, who is also uninsured.
- Under a medical support order, Rose's ex-husband is required to provide health insurance for Anna. He fails to do this.
- Anna is uninsured in 2014 until May when Rose enrolls her in CHIP.




- Rose claims Anna on her tax return. Is she responsible for the penalty for Anna for January through April?
  - *Yes. Rose cannot claim the hardship exemption for the other parent's failure to fulfill a medical support agreement because Anna was not <u>determined ineligible</u> for Medicaid or CHIP during those months.*

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# Example: Hardship

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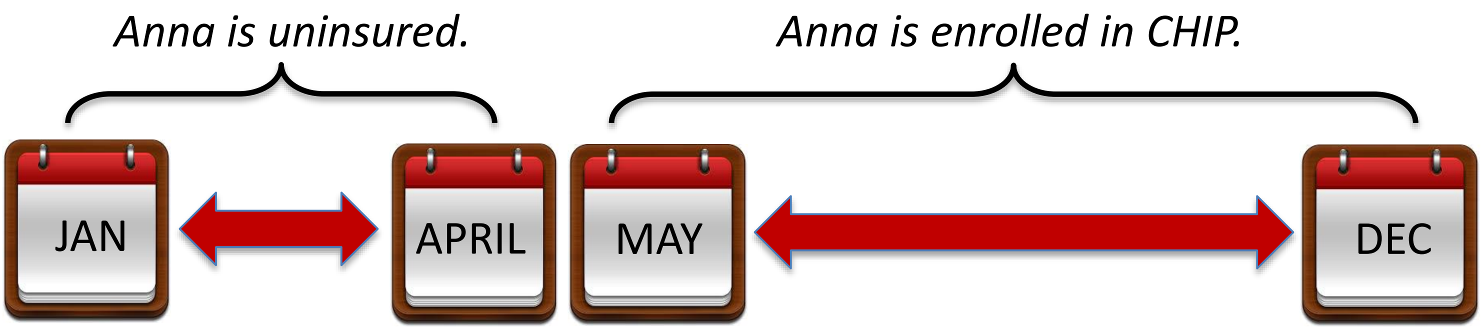



- Instead assume that Anna's father claims her as a dependent. Does the exemption apply? If not, who is responsible for the penalty?
    - *No, the exemption does not apply because he is both the parent claiming the child and the parent who was responsible for coverage. Anna's father will pay the penalty for the months she was uninsured.*

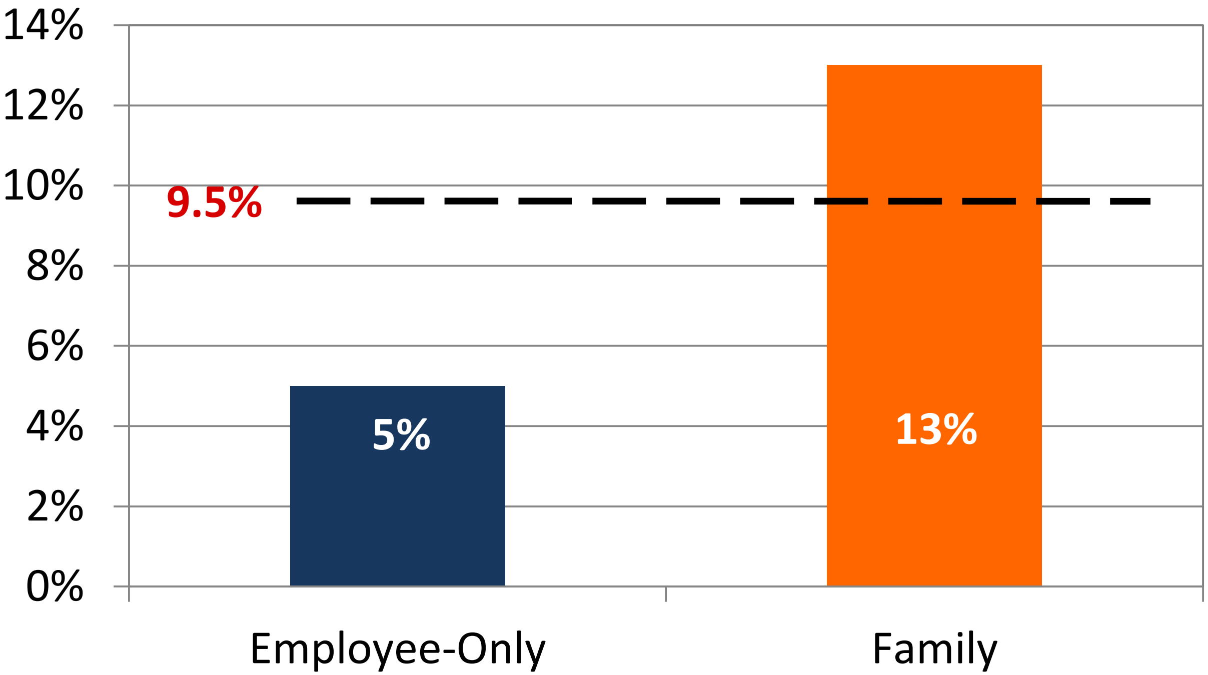
# Marketplace Exemptions: Hardship

| Types of Hardship | Duration |
|---|---|
| **Lack of affordable coverage (>8% of household income)**<br>Household income = adjusted gross income + foreign income + tax-exempt interest<br>◆ *For a person who is eligible for employer-sponsored insurance (ESI) that meets minimum value, coverage is unaffordable if:*<br>• For the employee: the lowest cost self-only plan costs more than 8% of household income.<br>• For members of the employee's family: the lowest cost family plan costs more than 8% of household income.<br>• ESI costs more than 8% of household income due to failure to qualify for wellness discounts.<br>◆ *For a person who is not eligible for employer-sponsored insurance (ESI):*<br>• Marketplace coverage for all non-exempt members of the taxpayer's family costs more than 8% of household income.<br>• Based on the lowest cost bronze plan, after premium tax credits. | All remaining months in year.<br><br>Special rules:<br>(1) Must apply during an open or special enrollment period. The exemption only covers future months. To be exempt for the entire year, apply before the year starts.<br>(2) Applies regardless of change in circumstances |

# Review: Affordability Test for *Firewall*

Sonia Reyes is offered health insurance at work.

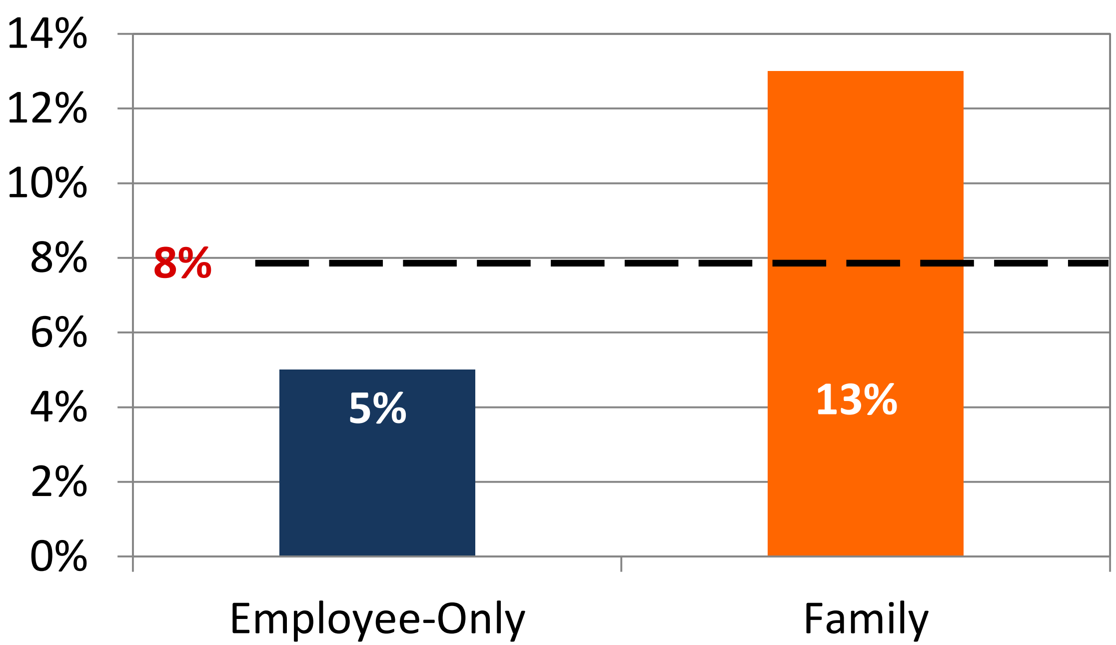
- **Household Income:** $47,000
- **Premium Cost to Employee for Employee-Only Plan:** $196/mo ($2,350/yr) *5% of income*
- **Premium Cost to Employee for Family Plan:** $509/mo ($6,110/yr) *13% of income*




- No one is eligible for premium tax credits.
- Family coverage is considered affordable because self-only coverage is affordable (<9.5% of MAGI).

# Affordability Test for *Exemption from Penalty*

| Affordability Test for Firewall | Affordability Test for Penalty |
|---|---|
| Affordable if employee-only coverage costs <9.5% of MAGI | Affordable if employee-only coverage costs <8% of household income |
| Family coverage is affordable if self-only coverage is affordable | Family coverage is affordable if it costs <8% of household income |




**Bottom Line:**

- Mom's coverage is affordable so she is not exempt.
- Dad and the children may apply for an exemption.

# Marketplace Exemptions: Hardship

| Types of Hardship | Duration |
|---|---|
| **Ineligible for Medicaid based on state decision not to expand**<br>◆ *Exemption for people in the coverage gap with income up to 138% of the federal poverty line (even though people between 100 and 138% FPL may be eligible for PTC)* | Entire year *unless there is a change in circumstance* |

*NEW* **Do I need to submit an exemption application?**

No. According to a notice from CCIIO on February 18, people in non-expansion states who are denied Medicaid because they are in the coverage gap will be sent an exemption certificate number. *more details forthcoming*

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# Marketplace Exemption: Medicaid Coverage Gap

**JANE** is unemployed until she gets a job in July. Her insurance starts August 1.

***Income:*** *$11,000*

***Residence:*** *Texas*

## Scenario 1

In January, Jane knew she was in the coverage gap and did not apply for health coverage.

↓

Jane's health insurance starts August 1.

↓

Jane cannot use the Medicaid exemption for Jan-July because she didn't apply for Medicaid.

## Scenario 2

In January, Jane applies for coverage.

↓

Her state did not expand Medicaid, so she is denied. She is automatically granted an exemption.

↓

Jane is exempt for January – July but must report the start of her new insurance in August.

# Exemptions at Tax Filing

## Types of Exemptions Granted by the IRS

### Income below filing threshold

*Single: **$10,150***

*Head of Household: **$13,050***

*Married Filing Jointly: **$20,300***

*Married Filing Separately: **$3,950***

*Qualifying Widow/er with Dependent Child: **$16,350***

*Figures are for 2014, for taxpayers under age 65

- A taxpayer doesn't need to file a tax return in order to claim this exemption.

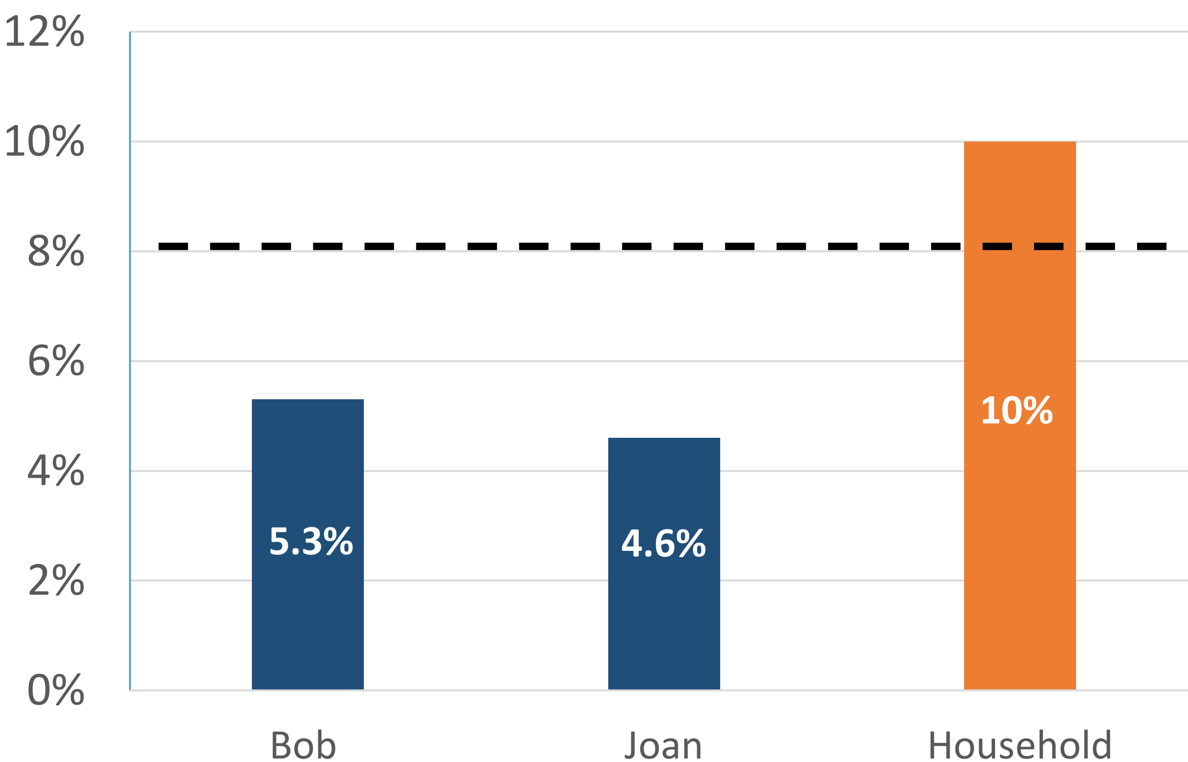
### Lack of affordable coverage (>8% of household income)

- Similar to the rules for a Marketplace exemption for lack of affordable coverage.
- Additional exemption available when both spouses are eligible for employer-sponsored insurance if the combined cost of coverage is greater than 8% of income.

# Exemption: Aggregate Cost of Coverage

Bob and Joan have jobs that offer health coverage.

- **Household Income:** $45,000
- **Premium cost for Bob:** $2,400/year *5.3% of income*
- **Premium cost for Joan:** $2,100/year *4.6% of income*
- **Aggregate cost:** $4,500/year *10% of income*



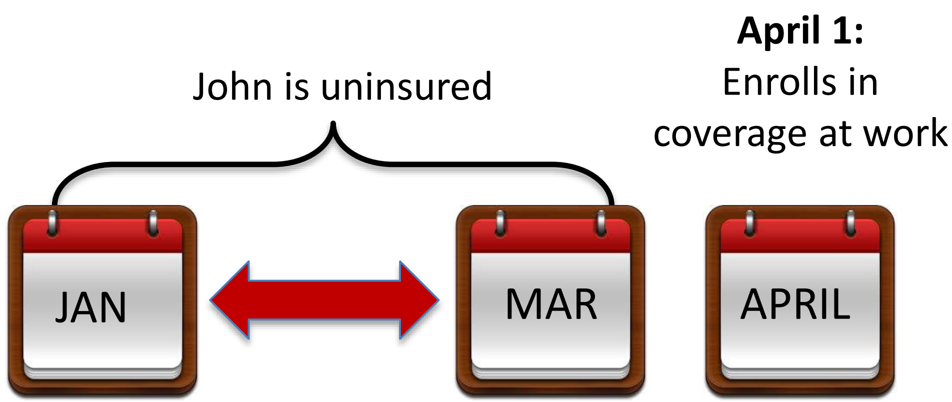

- Bob and Joan are not eligible for PTC because they each have affordable coverage.
- ***However,*** if they don't enroll in employer coverage, they can claim an exemption because the total cost exceeds 8% of income.

# Exemptions at Tax Filing

| Types of Exemptions Granted by the IRS |
| --- |
| **Income below filing threshold** |
| **Insurance is unaffordable (>8% of household income)** |
| **Certain noncitizens (nonresident aliens or undocumented residents)** |
| **Short coverage gap (< 3 months)**<br>◆ If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.<br>◆ If there are multiple gaps in a year, only the first gap qualifies. |

# Exemption: Short Coverage Gap

John doesn’t have insurance in January, February or March. He gets a new job in March and his insurance starts April 1.




John does not qualify for the exemption for a short coverage gap because the gap is not *less than* three full calendar months.

# Exemptions at Tax Filing

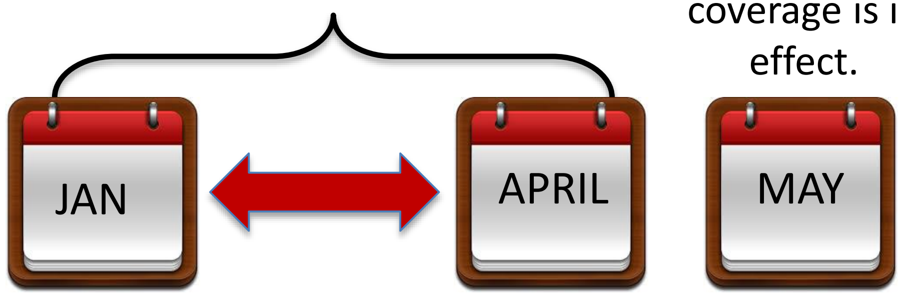
| Types of Exemptions Granted by the IRS |
|---|
| **Income below filing threshold** |
| **Insurance is unaffordable (>8% of household income)** |
| **Noncitizen (nonresident alien or undocumented resident)** |
| **Short coverage gap (< 3 months)**<br>◆ If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.<br>◆ If there are multiple gaps in a year, only the first gap qualifies. |
| **Open enrollment coverage gap**<br>◆ A person who enrolls in Marketplace coverage during open enrollment can receive an exemption for their coverage gap at the beginning of 2014. |

# Exemption: Short Coverage Gap

John is uninsured and signs up for Marketplace coverage on March 31. His coverage effective date is May 1.

**May 1:** Marketplace coverage is in effect.

John is uninsured




John <u>does</u> qualify for an exemption on his tax return because he purchased insurance during the open enrollment period.

Part III:

# PENALTIES

# Individual Shared Responsibility Penalty (2014)

The tax penalty for a given individual or family is the ***greater*** of:

- 1% of the family's income that is above the tax filing threshold, capped at the national average premium of a bronze level plan purchased through a Marketplace; or
- Flat dollar amount of $95 for each adult, $47.50 for each child, capped at $285 per family
- *Prorated for number of months without insurance in a year*

# Individual Shared Responsibility Penalty

| Year | Tax penalty is greater of: | |
|---|---|---|
| 2014 | 1% of income above threshold (up to cap*) | $95 per adult, $47.50 per child (up to cap of $285) |
| 2015 | 2% of income above threshold (up to cap*) | $325 per adult, $162.50 per child (up to cap of $975) |
| 2016 | 2.5% of income above threshold (up to cap*) | $695 per adult, $347.50 per child (up to cap of $2,085) |
| >2016 | *Values increased by a cost-of-living adjustment* | |

*national average premium of a bronze level plan purchased through a Marketplace

# Individual Shared Responsibility Penalty

| Tax Filing Status | Tax Filing Threshold (2014) |
|---|---|
| Single | $10,150 |
| Head of Household | $13,050 |
| Married, filing separately | $3,950 |
| Married, filing jointly | $20,300 |
| Qualifying Widow/er with Dependent Child | $16,350 |

# Countable Income for the Penalty

## Calculating Income for Advanced Premium Tax Credit

**Modified Adjusted Gross Income (MAGI) =**

Adjusted Gross Income (AGI)

+ excluded foreign income

+ tax exempt interest

+ non-taxable Social Security Benefits.

## Calculating Income for Tax Penalty

**Modified Adjusted Gross Income (MAGI) =**

Adjusted Gross Income (AGI)

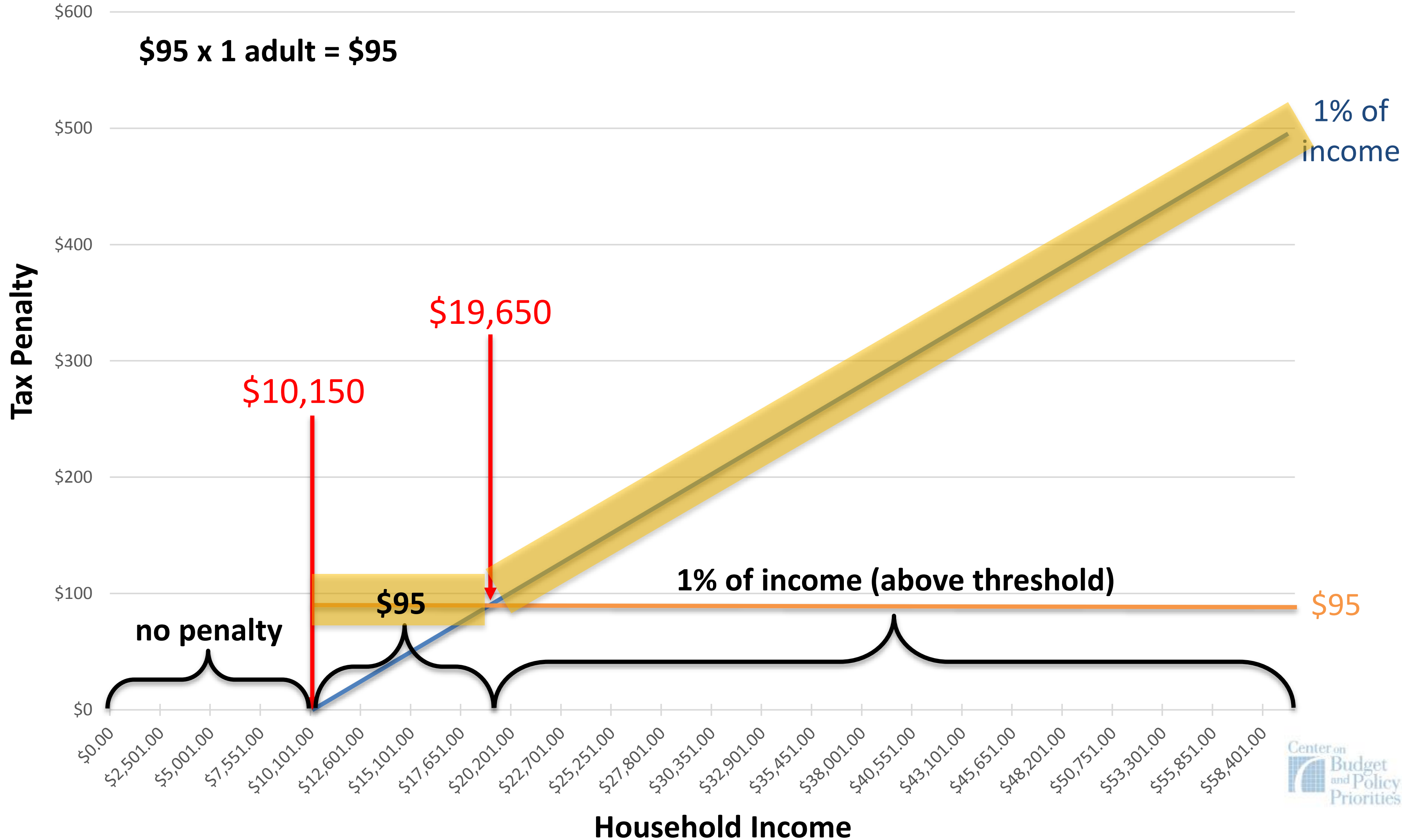
+ excluded foreign income

+ tax exempt interest.

~~+ non-taxable Social Security Benefits~~

Health Reform: **Beyond the Basics**

# Calculating the Penalty - Filing Single

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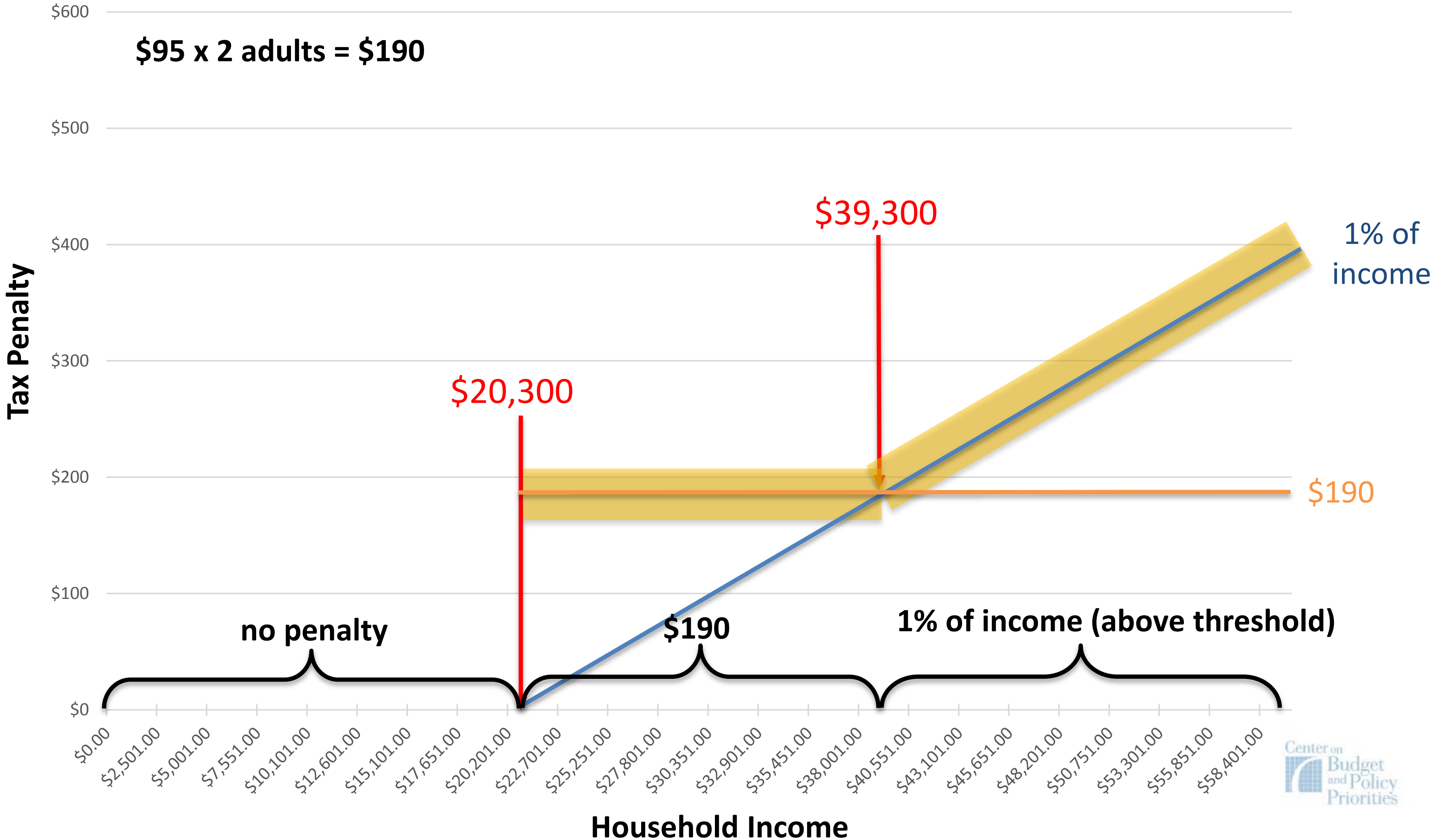
Health Reform: **Beyond the Basics**

# Calculating the Penalty - Married, Filing Jointly

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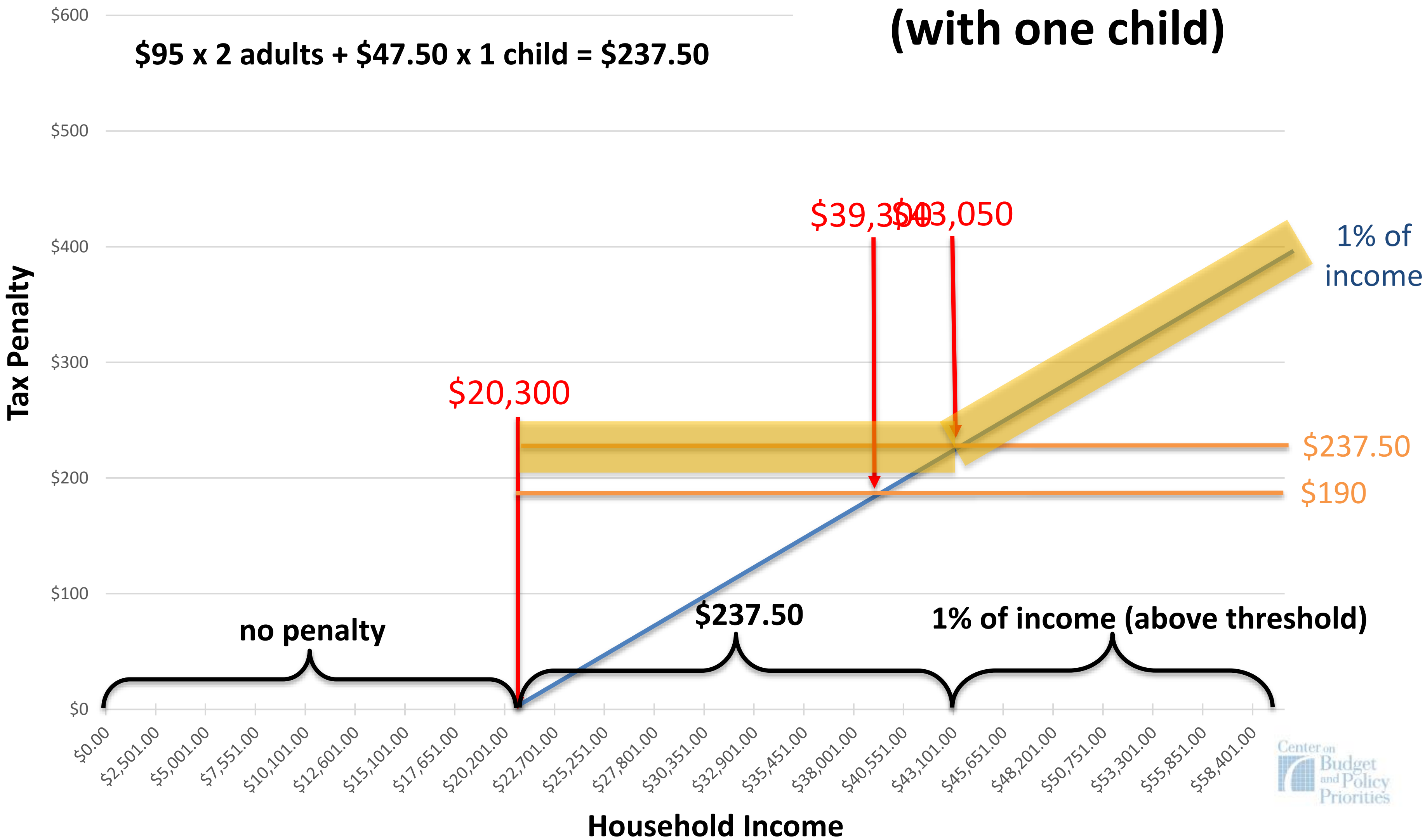
# Calculating the Penalty - Married, Filing Jointly

## (with one child)



# Example #1: John (Single)

| | | | |
|---|---|---|---|
| Income: | **$17,000 (148% FPL)** | Tax Filing Threshold: | **$10,150** |
| Filing Status: | **Single** | Months Uninsured: | **12** |
| Adults: | **1** | | |
| Children: | **0** | | |

1. $17,000 - $10,150 = $6,850
x 1%
**$68.50**

2. $95 x 1 adult = **$95.00**

**Tax Penalty for 2014**

# Example #1: John (Single)

| | | | |
|---|---|---|---|
| Income: | **$48,832 (425% FPL)** | Tax Filing Threshold: | **$10,150** |
| Filing Status: | **Single** | Months Uninsured: | **12** |
| Adults: | **1** | | |
| Children: | **0** | | |

1. $48,832 - $10,150 = $38,682

x 1%

**$386.82**

**Tax Penalty for 2014**

2. $95 x 1 adult = **$95.00**

# Example #2: Reyes Family (Married, filing jointly)

| | | | |
|---|---|---|---|
| Income: | **$39,500 (168% FPL)** | Tax Filing Threshold: | **$20,300** |
| Filing Status: | **Married, filing jointly** | Months Uninsured: | **12** |
| Adults: | **2** | | |
| Children: | **2** | | |

1. $39,500 - $20,300 = $19,200

x 1%

**$192.00**

2. $95 x 2 adults

\+ $47.50 x 2 children = **$285.00**

**Tax Penalty for 2014**

# Example #2: Reyes Family (Married, filing jointly)

| | | | |
|---|---|---|---|
| Income: | **$77,500 (329% FPL)** | Tax Filing Threshold: | **$20,300** |
| Filing Status: | **Married, filing jointly** | Months Uninsured: | **12** |
| Adults: | **2** | | |
| Children: | **2** | | |

1. $77,500 - $20,300 = $57,200

x 1%

**$572.00**

**Tax Penalty for 2014**

2. $95 x 2 adults

+ $47.50 x 2 children = **$285.00**

Health Reform: **Beyond the Basics**

# Example #3: Kim and Jay (Married, filing separately)

| | | | |
|---|---|---|---|
| Income: | **$46,850 (302% FPL)** | Tax Filing Threshold: | **$3,950** |
| Filing Status: | **Married, filing separately** | Months Uninsured: | **12** |
| Adults: | **2** | | |
| Children: | **0** | | |

Jay's Income: **$13,100**

Kim's income: **$33,750**

Health Reform: **Beyond the Basics**

# Example #3: Kim and Jay (Married, filing separately)

**Jay:** 1. $13,100 - $3,950 = $9,150

x 1%

**$91.50**

2. $95 x 1 adult = **$95.00**

**Kim:** 1. $33,750 - $3,950 = $29,800

x 1%

**$298.00**

2. $95 x 1 adult = **$95.00**

**Kim & Jay's total tax penalty = $393.00**

Center on Budget and Policy Priorities

Health Reform: **Beyond the Basics**

# Example #3: Kim and Jay (Married, filing separately)

| | | | |
|---|---|---|---|
| Income: | **$46,850 (302% FPL)** | Tax Filing Threshold: | **$20,300** |
| Filing Status: | **Married, filing jointly** | Months Uninsured: | **12** |
| Adults: | **2** | | |
| Children: | **0** | | |

$46,850 - $20,300 = $26,550

x 1%

Filing jointly = **$265.50**

Filing separately = **$393.00**

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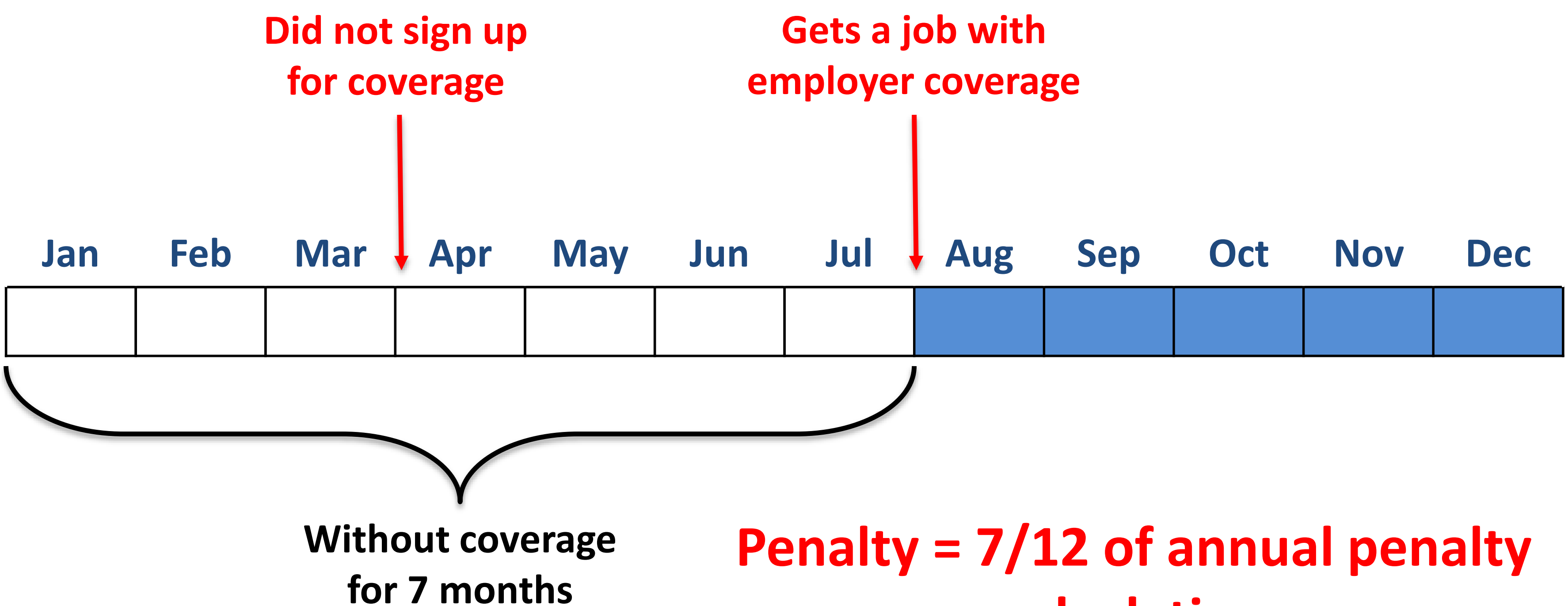
# Calculating the Penalty – Partial Year Coverage

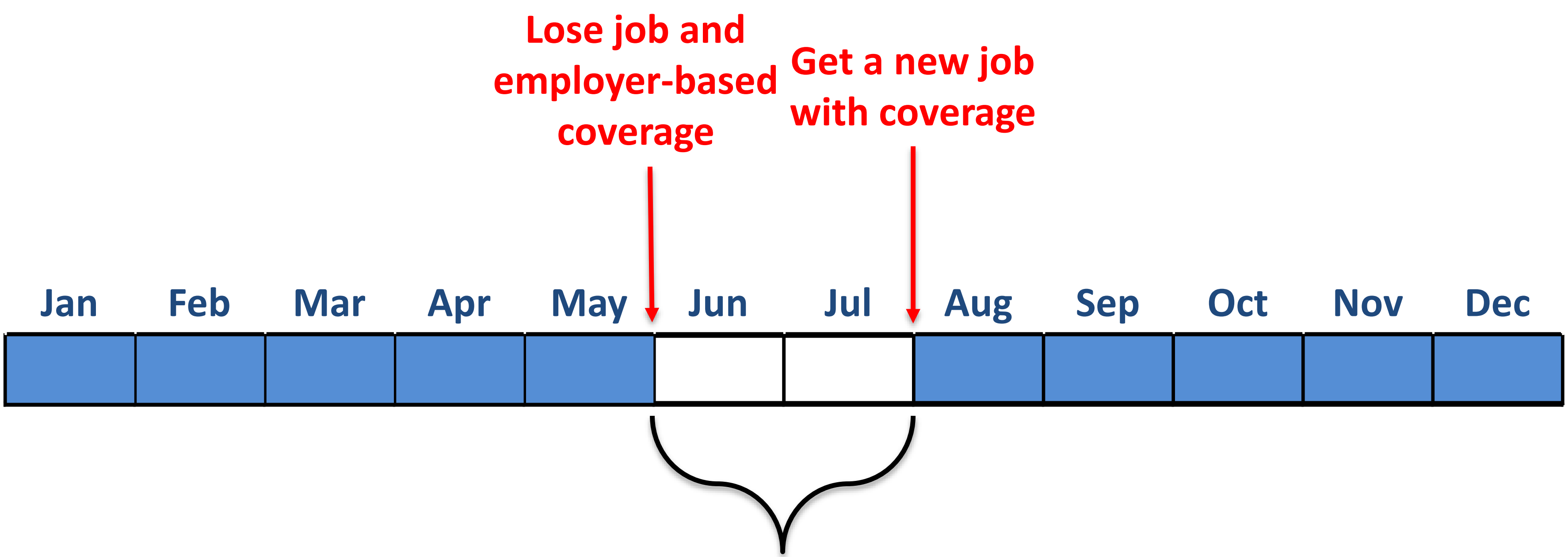
The tax penalty is prorated for the number of months without coverage during the tax filing year




**Penalty = 7/12 of annual penalty calculation**

# Calculating the Penalty – Partial Year Coverage

Exception for gaps in coverage of *less than* 3 months

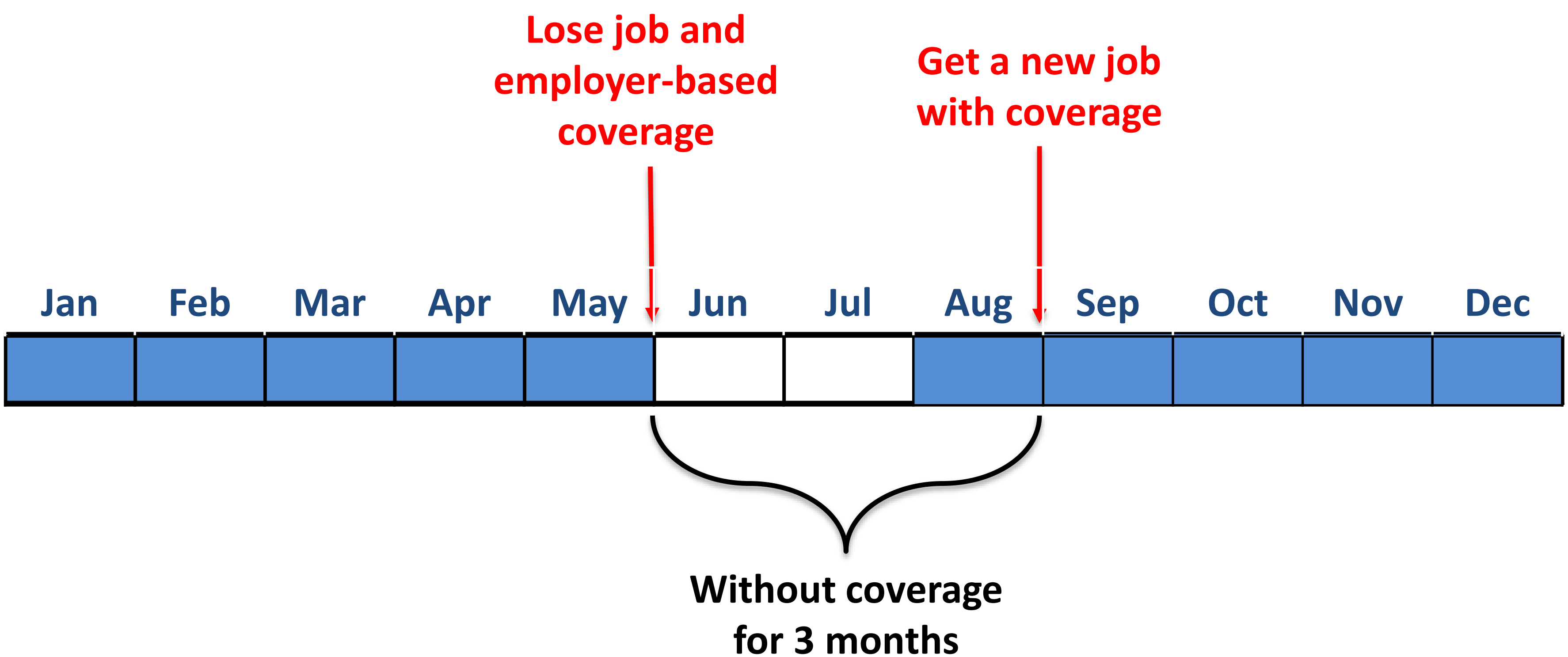



**Without coverage for 2 months**

**No Penalty**

# Calculating the Penalty – Partial Year Coverage

Exception for gaps in coverage of *less than* 3 months




**Penalty = 3/12 of annual penalty calculation**

# Example #4: John (Single, partial year gap)

Income: **$48,832 (425% FPL)**

Filing Status: **Single**

Adults: **1**

Children: **0**

Tax Filing Threshold: **$10,150**

Months Uninsured: **5**

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

$48,832 - $10,150 = $38,682

x 1%

**$386.82**

x 5/12

**$161.18**

**Tax Penalty for 2014**

# Resources

## Special Enrollment Periods

- Regulations are found at 45 CFR 155.420
- Proposed regulations modifying 45 CFR 155.420, published on March 21, 2014
- June 2013 guidance on SEPs triggered by loss of hardship exemption: http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/exemptions-guidance-6-26-2013.pdf

## Exemptions and Penalties

- Individual Shared Responsibility Provision Exemptions: http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Exemptions
- From Healthcare.gov: www.healthcare.gov/exemptions
- Tax Policy Center's ACA Tax Penalty Calculator: http://taxpolicycenter.org/taxfacts/acacalculator.cfm

# Contact Information

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www.healthreformbeyondthebasics.org