Part I: Introduction to the ACA

Minimum Essential Coverage

Tara Straw

October 21, 2014
Current as of October 30, 2014
Overview

- About this project
- Overview of the ACA
- Deep dive: Minimum essential coverage
- Common questions
Our Goals

• Support the work of volunteer tax preparers by providing trainings, tools and other assistance on the Affordable Care Act

• Answer practical questions about how to complete the ACA-related tax forms

• Provide enough background information so tax program leaders and their volunteers can answer basic questions about the ACA and can refer to other resources
October 21 – Overview of the ACA
Understand the basics of the ACA, including the requirement to have coverage, and how to account for insurance coverage on the tax return.

November 4 – Tax Penalty and Exemptions
Learn about the individual responsibility payment, its enforcement and who can claim an exemption from the coverage requirement.

November 18 – Premium Tax Credit
Learn how to calculate the premium tax credit and compare the calculated amount to payments received in advance.

December TBD – Frequently Asked Questions
Coming Soon from CBPP

• **Volunteer Training** (early/mid November)
  – ACA-focused training modules for volunteers
  – Self-guided or instructor-led options

• **New Guidebook** (late November)
  – Publication to explain tax elements of the ACA in more detail

• **New Tools** (December - January)
  – Guides and decision trees to facilitate interactions with clients

• **Technical Assistance & Feedback**
  – We want your feedback
  – Email us with questions or requests any time: tstraw@cbpp.org

---

ACA: Everything You Need to Know
IRS Resources

• IRS.gov/aca
  – Frequent updates of content and frequently asked questions

• For training: Publication 5157 – Affordable Care Act

• For clients: Publications 5120, 5121, 5152, 5156 and 5172

• Draft tax forms and instructions
  http://apps.irs.gov/app/picklist/list/draftTaxForms.html
  – Form 8962, Premium Tax Credit
  – Form 8965, Health Coverage Exemptions
Welcome to the ACA
The **Patient Protection and Affordable Care Act (ACA)** is a federal law signed by the President on March 23, 2010.

- The law expands access to health insurance and creates a requirement to have coverage.
- For the first time, taxpayers will:
  1. Report health coverage (and lack of coverage)
  2. Claim an exemption from the coverage requirement
  3. Calculate a payment for any months without coverage or exemption
  4. Reconcile advance payments or claim premium tax credits
- Tax year 2014 is the first year that the individual shared responsibility payment, exemptions and premium tax credit affect tax returns.
- All of these ACA-related tax items are in scope for Basic VITA volunteers.
Steps in the tax return related to the ACA

There is a requirement to have health insurance coverage starting Jan. 1, 2014. People without coverage or an exemption may pay a penalty.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Yes/No</th>
</tr>
</thead>
</table>
| 1    | Did everyone on the return have minimum essential coverage for every month? | YES → See Step 2.  
NO |
| 2    | Is anyone on the tax return eligible for an exemption from the coverage requirement for any month during the year? |  
- Can this exemption be granted by the IRS on the tax return?  
- OR  
- Does this exemption require approval from the Marketplace? |
| 3    | If no coverage and no exemption, calculate Individual Shared Responsibility Payment using tax worksheet. |  |
| 4    | If someone on the tax return purchased coverage in the Marketplace and qualifies for a premium tax credit, complete Form 8962. |  |
How Does the ACA Work?
Shared Responsibility

**Individuals**
- Report coverage,
- Claim an exemption from the coverage requirement, or
- Make a shared responsibility payment

**Employers**
- Large employers: Provide coverage, and
- Small employers: Incentives to provide coverage

**Government**
- Expand Medicaid (at state option),
- Make available premium tax credits,
- Build Marketplace(s)
Two New Coverage Options

- **Medicaid expansion** to individuals and families with income up to 138% FPL
- States decide whether to expand

- **Premium tax credits** for families with income 100–400% FPL
  - 28.6 million eligible
  - 8 million enrolled (28%)
  - 85% had financial assistance
  - Average exchange subsidy will be $7,900 by 2023
What Are Premium Tax Credits (PTC)?

• Assistance with the cost of health coverage for people purchasing coverage in a *Health Insurance Marketplace*
  – Some states use the Federally Facilitated Marketplace (FFM) at www.healthcare.gov. Other states have their own Marketplace. The same rules apply to both.
  – Insurance can be purchased only during open enrollment or if a person has cause for a special enrollment period.

• **Administered by CCIIO** (Center for Consumer Information and Insurance Oversight)
What Are Premium Tax Credits (PTC)?

Eligibility Criteria for PTC

- To receive a premium tax credit, a person must:
  1. Be enrolled in a Marketplace plan
  2. Have income between 100 and 400 percent of the federal poverty line (FPL)
     - Individual: $11,690 - $46,760
     - Family of four: $23,850 - $95,400
     - **Exception:** Lawfully present immigrants with income under the poverty line are eligible for PTCs if they are ineligible for Medicaid because of their immigration status
  3. Have an eligible filing and dependent status
     - Cannot be married filing separately (exceptions for abandoned and abused spouses)
     - Cannot be a dependent
  4. Be ineligible for minimum essential coverage (MEC), which includes most public and employer-sponsored coverage
What Are Premium Tax Credits (PTC)?

• **Advanced payment** of the PTC can be made based on a determination by the Marketplace during the application process. The actual PTC is claimed on the tax return.

• The PTC can be taken:

  **In advance**

  Forwarded to the insurer monthly to reduce premiums; reconciled on tax return

  **At tax time**

  Claimed on the tax return
The PTC is **refundable**.

Receipt of advance payments of PTC creates a **tax filing requirement**.

If no advance payments of PTC are made during the year, or if only part of the PTC is received during the year, the remainder may be claimed on the tax return.

If a taxpayer receives excess PTC, it must be paid back.

### REPAYMENT LIMITS ON APTC

<table>
<thead>
<tr>
<th>Income (as % of federal poverty line)</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>$1,250</td>
<td>$2,500</td>
</tr>
<tr>
<td>400% and above</td>
<td>Full reconciliation</td>
<td>Full reconciliation</td>
</tr>
</tbody>
</table>
Why should you care about Marketplace enrollment and PTC?

- Marketplace enrollment is minimum essential coverage
- People who receive advance payments of PTC *must* file a tax return, even if they otherwise have no tax filing requirement.
  - Also must file if a dependent received advance payments of PTC, or
  - If no PTC was received in advance but a taxpayer (or dependent) purchased coverage in the Marketplace and now wants to claim the credit
- Advance payments of PTC are reconciled against the amount of PTC that is allowed based on the taxpayer’s year-end household and income (Form 8962)
Medicaid Expansion

• Who is *newly* eligible?
  – Mainly adults, including parents (whether or not they work) and adults without dependent children

• At what income?
  – 138% of federal poverty level (FPL)
  – Depends on family size

<table>
<thead>
<tr>
<th>Family Size</th>
<th>138% FPL (in 2014 dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,105</td>
</tr>
<tr>
<td>2</td>
<td>$21,707</td>
</tr>
<tr>
<td>3</td>
<td>$27,310</td>
</tr>
<tr>
<td>4</td>
<td>$32,913</td>
</tr>
</tbody>
</table>

• Administered by CMS (Centers for Medicare and Medicaid Services) at the federal level and your state Medicaid agency
Status of State Medicaid Expansions
Why should you care about Medicaid coverage?

• In Medicaid expansion states, more low-income people will have minimum essential coverage
  – *Likely to have an easier tax return:* More likely to check a box on the tax return for MEC instead of determining exemption eligibility or calculating shared responsibility payment.
  – *Referral for coverage:* Eligible people can enroll in Medicaid at any time. Enrollment in Marketplace coverage is limited to open and special enrollment periods.

• In non-expansion states, low-income adults may be in a coverage gap: not eligible for help until PTC begins at 100% FPL
  – *Less likely to have coverage:* More will need to qualify for an exemption or make a shared responsibility payment.
  – *Referral for coverage:* Enrollment in Marketplace coverage is limited to open and special enrollment periods. However, a person may be eligible for Medicaid under existing rules (even without expansion) so it’s helpful to check.

There is an exemption for people who are in the coverage gap in states that did not expand Medicaid.
Minimum Essential Coverage
What is minimum essential coverage (MEC)?

- Starting in 2014, most people are required to have health insurance that qualifies as *minimum essential coverage* and to report it on their tax return.
- Most types of coverage count as minimum essential coverage.
- Coverage for one day = coverage for the month.
Minimum Essential Coverage (MEC)

<table>
<thead>
<tr>
<th>QUALIFIES AS MEC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employer sponsored coverage</strong></td>
</tr>
<tr>
<td>- Employee coverage</td>
</tr>
<tr>
<td>- COBRA</td>
</tr>
<tr>
<td>- Retiree coverage</td>
</tr>
<tr>
<td><strong>Individual health insurance</strong></td>
</tr>
<tr>
<td>- Purchased from a health insurance company</td>
</tr>
<tr>
<td>- Purchased through the Marketplace</td>
</tr>
<tr>
<td>- Provided through a student health plan</td>
</tr>
<tr>
<td><strong>Government-sponsored plans</strong></td>
</tr>
<tr>
<td>- Medicare</td>
</tr>
<tr>
<td>- Most Medicaid</td>
</tr>
<tr>
<td>- CHIP</td>
</tr>
<tr>
<td>- Most TRICARE</td>
</tr>
<tr>
<td>- Most VA</td>
</tr>
<tr>
<td>- State high-risk insurance pools</td>
</tr>
<tr>
<td>- Peace Corps</td>
</tr>
<tr>
<td>- Refugee Medical Assistance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIMITED BENEFITS THAT ARE NOT MEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Single-benefit coverage (e.g., dental-only or vision-only plans)</td>
</tr>
<tr>
<td>• Accident or disability insurance</td>
</tr>
<tr>
<td>• Workers’ compensation</td>
</tr>
<tr>
<td>• AmeriCorps/AfterCorps coverage</td>
</tr>
<tr>
<td>• <strong>Limited-benefit Medicaid</strong></td>
</tr>
<tr>
<td>- Family planning services</td>
</tr>
<tr>
<td>- Tubercululous treatment</td>
</tr>
<tr>
<td>- Pregnancy-related</td>
</tr>
<tr>
<td>- Emergency medical condition</td>
</tr>
<tr>
<td>- 1115 demonstrations</td>
</tr>
<tr>
<td>- Medically needy</td>
</tr>
<tr>
<td>• <strong>Limited-benefit TRICARE</strong></td>
</tr>
<tr>
<td>- Space-available care</td>
</tr>
<tr>
<td>- Line-of-duty care</td>
</tr>
</tbody>
</table>

Exemption available for 2014 – no penalty
Verification of MEC

• Many people will have no tax document that verifies MEC in 2014
  – Coverage reporting by employers and insurers is voluntary for 2014; will be mandatory starting in Tax Year 2015.
• Tax preparers do not need to see specific documentation of insurance.
• Instead, tax preparers will use *due diligence* to determine whether a client has coverage. This includes:
  – A comprehensive interview that includes questions about insurance coverage
  – A W-2 with code DD in box 12, which indicates some type of health coverage through the employer for some number of months (individual or family coverage)
  – Form 1095-A, for people who purchased coverage in the Marketplace
  – Forms 1095-B or 1095-C, but since these forms are optional, failure to get one does *not* indicate lack of coverage. Many insured people will not receive these forms for 2014.
• Reminder: Tax return is signed under penalty of perjury
Tax forms that show evidence of coverage

- Medicare premiums deducted from benefits
- Cost of employer-sponsored coverage
Form 1095-A
Tax forms that show evidence of coverage

Form 1095-B

- Will be sent to taxpayers, mainly by health insurance issuers
- Filing this form is *optional* for issuers for tax year 2014

---

![Form 1095-B](image-url)
Tax forms that show evidence of coverage

Form 1095-C

- Will be sent to taxpayers, mainly by large employers that are subject to the employer shared responsibility requirement
- Filing this form is *optional* for employers in tax year 2014
What information will I get from clients at intake?

IRS Form 13614-C

<table>
<thead>
<tr>
<th>Part VI: Health Care Coverage (Includes CHIP, Medicare, Medicaid, Employer-Sponsored Insurance, Individual Health Insurance, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Last year, did you have health care coverage for you, your spouse, and all qualifying dependents? (Forms W-2, 1099 SSA and Form 1095 series)</td>
</tr>
<tr>
<td>2. Last year, did you or your spouse receive an advance payment from the Marketplace to help you pay for your monthly health care payments? (Form 1095A)</td>
</tr>
</tbody>
</table>

Visit [http://www.healthcare.gov/](http://www.healthcare.gov/) or call 1-800-318-2596 for more information on health insurance coverage options and assistance.

If you’re receiving advance payments of the premium tax credit to help pay for your health insurance coverage, you should report life changes, such as income, marital status or family size changes, to your marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

| To be completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating the health care coverage status for everyone listed on the return) |
|---|---|---|---|---|
| Had Health Care Coverage | (B) For the Entire year (12 months) | (B) For part of the year (Less than 12 months) | (B) No Health Care Coverage at all | (B) Qualify for an exemption |
| Taxpayer | | | | |
| Spouse | | | | |
| Dependent number 1 (page 1) | | | | |
| Dependent number 2 (page 1) | | | | |
| Dependent number 3 (page 1) | | | | |
| Dependent number 4 (page 1) | | | | |
Example: Reyes Family

**Did you have insurance in 2014?**

- Sonya Reyes lost her health coverage in June 2014
- Gilberto Reyes received reimbursement for some medical costs through workers compensation after he was injured at work.
- Kids, Gaby and Marco, were enrolled in CHIP all year.

![Image of the Reyes family](image.png)

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
<th>Check appropriate box for each question in each section</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Part VI: Health Care Coverage (includes CHIP, Medicare, Medicaid, Employer-Sponsored Insurance, Individual Health Insurance, etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1. Last year, did you have health care coverage for you, your spouse, and all qualifying dependents? (Forms W-2, 1099 SSA and Form 1095 series)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Last year, did you or your spouse receive an advance payment from the Marketplace to help you pay for your monthly health care payments? (Form 1095A)</td>
</tr>
</tbody>
</table>

Visit [http://www.healthcare.gov/](http://www.healthcare.gov/) or call 1-800-318-2596 for more information on health insurance coverage options and assistance.

If you’re receiving advance payments of the premium tax credit to help pay for your health insurance coverage, you should report life changes, such as income, marital status or family size changes, to your marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

![Table to complete](table.png)
**Example: Reyes Family**

**Did you have insurance in 2014?**

- **Next steps:**
  - No more questions about Gaby and Marco – they’re covered
  - Figure out if Sonya and Gilberto are eligible for exemptions for their months without coverage
  - If they qualify, correct the intake sheet to note the exemption

---

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
<th>Check appropriate box for each question in each section</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Part VI: Health Care Coverage (includes CHIP, Medicare, Medicaid, Employer-Sponsored Insurance, Individual Health Insurance, etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1. Last year, did you have health care coverage for you, your spouse, and all qualifying dependents? (Forms W-2, 1099 SSA and Form 1095 series)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Last year, did you or your spouse receive an advance payment from the Marketplace to help you pay for your monthly health care payments? (Form 1095A)</td>
</tr>
</tbody>
</table>

Visit [http://www.healthcare.gov/](http://www.healthcare.gov/) or call 1-800-318-2596 for more information on health insurance coverage options and assistance.

If you're receiving advance payments of the premium tax credit to help pay for your health insurance coverage, you should report life changes, such as income, marital status or family size changes, to your marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

---

<table>
<thead>
<tr>
<th></th>
<th>Taxpayer</th>
<th>Spouse</th>
<th>Dependent number 1 (page 1)</th>
<th>Dependent number 2 (page 1)</th>
<th>Dependent number 3 (page 1)</th>
<th>Dependent number 4 (page 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had Health Care Coverage</td>
<td>Sonya</td>
<td>Gilberto</td>
<td>Gaby</td>
<td>Marco</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) For the Entire year (12 months)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) For part of the year (Less than 12 months)</td>
<td>[X]</td>
<td>[X]</td>
<td>[X]</td>
<td>[X]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) No Health Care Coverage at all</td>
<td>[X]</td>
<td>[X]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) Qualify for an exemption</td>
<td>[X]</td>
<td>[X]</td>
<td>[X]</td>
<td>[X]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Common Questions
What happened during the first open enrollment?

- **Successes**
  - 8 million people enrolled in Marketplace
    - 85% received financial assistance
    - Nearly half (46%) of individuals selecting plans with tax credits in the FFM were able to get covered for $50 per month or less.
  - 8 million people enrolled in Medicaid

- **Challenges**
  - Technology problems deterred enrollment
  - Many people didn’t know PTC were available
  - Health assisters not trained in tax definitions

More people will be uninsured. They’ll need exemptions or will make payment.

People who received PTC may have gotten too much or too little.
What can we tell a client who is uninsured?

- **If low-income:**
  - Apply for Medicaid. The person may be eligible. If not, their Medicaid denial may qualify them for an exemption from the individual responsibility payment for the 2015 tax year.

- **If income in PTC range:**
  - **Problem:** Open enrollment is Nov. 15, 2014 – Feb. 15, 2015
  - They may miss the enrollment window for 2015
  - Direct family to a health care assister anyway. Certain life circumstances (a move, a marriage, job loss, etc) can qualify them for a **special enrollment period**.

More people will be uninsured. They’ll need exemptions or will make payment.
Outreach Before the Tax Season

- Incorporate a health care message on posters, postcards or other mailers. Include:
  - Dates of open enrollment (Nov. 15, 2014 – Feb. 15, 2015)
  - Where to get insurance
  - The consequences of not having insurance

Example:

**Are You Covered? New Tax Credit Can Help with Health Insurance**
If you don’t have insurance, a new credit could cover most of the cost of a new plan. **Enroll for 2015 between Nov. 15, 2014 – Feb. 15, 2015.** Some people without insurance may face a penalty. Get more information at 1-800-318-2596 or [www.healthcare.gov](http://www.healthcare.gov).

This contact information is for the FFM. If your state runs its own Marketplace, use that contact information.
Outreach During the Tax Season

• Beginning of season to February 15
  – Open enrollment ends soon! Do you have coverage?
  – Navigators and other in-person assisters
    o How do I find an in-person assister?
      https://localhelp.healthcare.gov/
    o https://www.getcoveredamerica.org/locator/

• February 15 to end of tax season
  – After February 15, a person who learns about new coverage options may be frustrated to find out that they need to wait until 2016
  – They should talk to a Navigator or other in-person assister to find out if they qualify for Medicaid or a special enrollment period.
How do I work with an in-person assister?

• Bring health enrollment and tax assistance together
  – Co-location
  – “Super-Site” days
  – Warm referral: Facilitate setting up an appointment
  – Cold referral: Provide hours, locations, directions

• Find someone who can answer your FAQs (and vice versa)
  – Tax to health: Does x count as MEC?
  – Health to tax: Is x income taxable?
What Should Clients Bring to the Site?

### 2015 VITA Checklist
Getting Help to Prepare your Taxes
What to Bring with You

If you need help completing tax forms, a Volunteer Income Tax Assistance (VITA) site near you can help. Call 1-800-906-9887 to find the nearest location. When you go to a VITA site, or if you choose to go to a commercial tax preparer, be ready. Take these items with you:

- Valid picture ID
- Copy of 2013 tax return (if you have it)
- Social Security Cards, Social Security Number verification letters or Individual Taxpayer Identification Number (ITIN) card
- Copy of W-2 forms (if applicable)
- Copies of 1099 forms (if applicable)
- Bank statements
- List of your assets
- List of your liabilities
- List of all bank accounts
- A list of who on your tax return had health insurance coverage in 2014 and for which months they were covered (provide this if you didn’t receive Form 1095-B or 1095-C)

If any of the following apply to you, take documentation with you:

- Child care expenses, including the provider’s address and federal tax ID #
- Mortgage company statements
- Adoption expenses
- Alimony paid or received
- Any notices received from the IRS, state tax office, or Health Insurance Marketplace
- Property tax bills
- College tuition and student loan interest statements
- Additional forms of income such as:
  - Prizes and awards
  - Scholarships and fellowships
  - Lottery/ gambling winnings

If you lost or do not have all of these items, you can still get your taxes prepared. Call the IRS helpline at 1-800-829-1040 to find out what you need to do and how to obtain replacement documents.

### Health Insurance documentation:
- Form 1095-A, if you or anyone on your tax return had coverage through the Health Insurance Marketplace
- Form 1095-B or 1095-C, if you or someone on your tax return had coverage from another source (Note: sending these forms is optional for 2014, so everyone with insurance will not receive one)
- A list of who on your tax return had health insurance coverage in 2014 and for which months they were covered (provide this if you didn’t receive Form 1095-B or 1095-C)

Coming soon to eitcoutreach.org!

ACA: Everything You Need to Know
EITC Outreach
CBPP's National Tax Credit Outreach Campaign

- The Campaign provides:
  - Trainings
  - Technical assistance and support
  - Connection to a network of outreach organizations
  - Tax Credit Outreach Kit
  - Online resources at [www.eitcoulreach.org](http://www.eitcoulreach.org)
EITCoutreach.org: Online Resources

Outreach materials: EIC/CTC Flyers in 21 Languages, Envelope Stuffers, VITA Site Checklist

EIC Estimator

Searchable Outreach Strategies Database

Video Library

State EICs

Infographics

In the News

For more information: www.eitcoutreach.org
Contact Info

• Tara Straw, tstraw@cbpp.org
• Halley Cloud, cloud@cbpp.org
• Roxy Caines, caines@cbpp.org

This is a project of the Center on Budget and Policy Priorities, www.cbpp.org