



ACA: Everything You Need to Know

# Part II – Exemptions & the Individual Shared Responsibility Payment

*Tara Straw*

November 4, 2014

**There is a requirement to have health insurance coverage starting Jan. 1, 2014. People without coverage may pay a shared responsibility payment.**

**Step 1**

**Did everyone on the tax return have coverage all year?**



Taxes		60	60
60a	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		60a
	Household employment taxes from Schedule H		60b
b	First-time homebuyer credit repayment. Attach Form 5405 if required		61
61	Health care: individual responsibility (see instructions) Full-year coverage		



Go to Step 2.

**Step 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?

**Step 3**

**If no coverage and no exemption, calculate Individual Responsibility Payment using tax worksheet.**

**Step 4**

**If someone on the tax return purchased coverage in the Marketplace and qualifies for a premium tax credit, complete Form 8962.**

# Exemptions

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# What is minimum essential coverage (MEC)?

## QUALIFIES AS MEC

### Employer sponsored coverage

- Employee coverage
- COBRA
- Retiree coverage

### Individual health insurance

- Purchased from a health insurance company
- Purchased through the Marketplace
- Provided through a student health plan

### Government-sponsored plans

- Medicare
- Most Medicaid
- CHIP
- Most TRICARE
- Most VA
- State high-risk insurance pools
- Peace Corps
- Refugee Medical Assistance

## LIMITED BENEFITS THAT ARE NOT MEC

- Single-benefit coverage (e.g., dental-only or vision-only plans)
- Accident or disability insurance
- Workers' compensation
- AmeriCorps/AfterCorps coverage
- **Limited-benefit Medicaid**
  - Family planning services
  - Tuberculous treatment
  - Pregnancy-related
  - Emergency medical condition
  - 1115 demonstrations
  - Medically needy
- **Limited-benefit TRICARE**
  - Space-available care
  - Line-of-duty care

Exemption available for 2014 – no penalty

# Who needs an exemption?

- Most people have minimum essential coverage (MEC) all year
  - The vast majority tax filers will be able to check the box on Line 61

Taxes		59	59
60a	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . .		
	Household employment taxes from Schedule H . . . . .	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required . . . . .		60b
61	Health care: individual responsibility (see instructions) Full-year coverage  . . . . .	61	

- Each individual on the tax return who did not have MEC for the entire year should be screened for exemption eligibility
  - Start with the exemptions that can be claimed on the tax return
    - Much simpler than applying for Marketplace applications on paper!
  - Some exemptions cover specific months; some are good all year
  - Some exemptions can be claimed directly on the tax return; others need advance approval from the Marketplace
  - Some exemptions represent “transition relief” to help taxpayers in 2014 only

# Form 8965 at a Glance

## Form 8965 – Part I Exemptions Granted by the Marketplace

### Types of Exemption

- Hardship (14+ types)
  - Member of certain religious sects
  - Incarceration\*
  - Membership in a Federally-recognized Indian tribe\*
- In general, taxpayers must *apply* for these exemptions via paper application.
  - People who were granted an exemption will receive an *ECN (exemption certificate number)*, a 6 digit letter/number code, that must be entered on Form 8965.

Form **8965** Health Coverage Exemptions

Department of the Treasury Internal Revenue Service

OMB No. 1545-0074  
**2014**  
Attachment Sequence No. **75**

▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.  
▶ Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

Name as shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

**Part I Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			
6			

**Part II Coverage Exemptions for Your Household Claimed on Your Return:**

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																

\*Can also be claimed directly on the tax return!





# Types of Exemptions

Does the taxpayer already have an exemption from the Marketplace?

**YES**

Enter on Form 8965,  
Part I

**NO**

Does the taxpayer have income below the filing threshold?  
*Applies to the entire household for the entire year.*

**YES**

Enter on Form 8965,  
Part II

**NO**

## Exemptions for individuals *(duration varies):*

Exemption	IRS Code
Certain noncitizens and citizens living abroad	Code C
Health care sharing ministry	Code D
Federally-recognized Indian tribe or eligible for IHS	Code E
Limited benefit Medicaid	Code H
Incarceration	Code F
Insurance is unaffordable	Code A
Aggregate cost of insurance is unaffordable	Code G
Individuals in a state that did not expand Medicaid	Code G

## Exemptions for individuals that have a limited duration:

Exemption	IRS Code
Short coverage gap	Code B
Coverage by May 1 or "in-line"	Code G
Non-calendar year coverage	Code H

**NO**

**NO**

Does anyone qualify for a  
Marketplace hardship exemption?

**YES**

*apply*

Enter on Form 8965,  
Part I

# Exemptions for the Household

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Part II of Form 8965

# Income Below Tax Filing Threshold

**Part II Coverage Exemptions for Your Household Claimed on Your Return:**

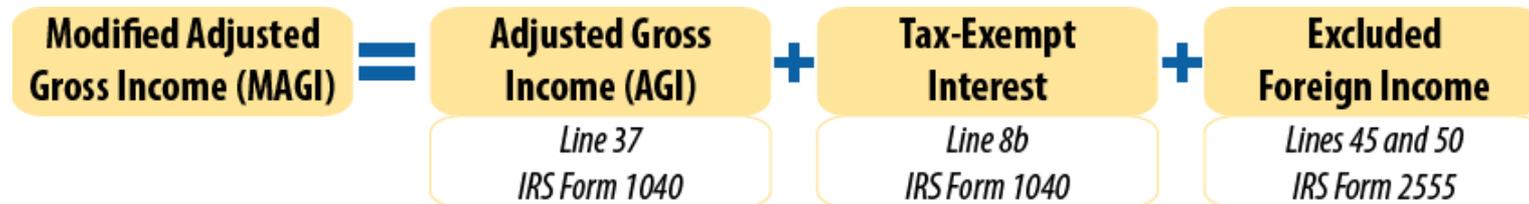
7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

## Line 7a: Household income below filing threshold

- What is household income?

- Household income is modified adjusted gross income (MAGI) for each individual on the tax return with a tax filing requirement.
  - Include dependent income if dependent has a filing requirement
- For exemptions and individual responsibility payment:



## Line 7b: Gross income below filing threshold

- What is gross income?

- Gross income is all income received from all sources (unless exempt from tax)
  - Include the taxable portion of social security benefits and income (but not losses) on Schedules C, D or F.
- Do not include income of dependents with a filing requirement.

# Income Below Tax Filing Threshold

## Who should claim this exemption?

- A **taxpayer that does not have a filing requirement and does not file** gets the exemption automatically for everyone properly claimed on the tax return
  - There is no need to file only to report health coverage or claim the exemption
- A **taxpayer that does not have a filing requirement but chooses to file** anyway should file a Form 8965 if one or more people on the tax return are uninsured
- A **taxpayer that has a tax filing requirement** should report coverage and check for exemption eligibility in Parts I or III of Form 8965
- A **dependent with a filing requirement** doesn't need to report coverage, exemptions or individual responsibility payment

Tax Filing Status	Tax Filing Threshold (in 2014)
Single	\$10,150
Head of Household	\$13,050
Married Filing Jointly	\$20,300
Married Filing Separately	\$3,950
Qualifying Widow(er) with Dependent Child(ren)	\$16,350

# Exemptions for Individuals

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Part III of Form 8965

# Part III – Exemptions for Individuals Claimed on the Return

A-H

Mark applicable months

**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8	Sonia Reyes	111-22-3333	B					X	X							
9																
10																
11																
12																

**New!**

as of 11/21/14

This exemption applies to:

- Individuals who resided *at any time during the year* in a state that did not expand Medicaid, *and*
- Had income below 138% FPL (i.e., would have been eligible for Medicaid if the state had expanded).

*Available on the return in 2014 only. In future years, must apply for (and be denied) Medicaid to claim this exemption!*

## Example

Rashid was uninsured for all of 2014. His wife, Miriam, had insurance all year through work. Leila was born in November, was covered by Medicaid. Their household income was \$25,000 (128% FPL for a family of 3) and they live in Texas, a non-expansion state. They are all U.S. citizens.

### Does Rashid qualify for an exemption?

Yes, Rashid's household income is below 138% FPL and 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 PTC.



This exemption applies to:

- Individuals who are not U.S. citizens, U.S. nationals or lawfully present (i.e., undocumented immigrants)
- 1040NR (or 1040NR-EZ) filers
- Individuals who are residents of U.S. territories
- U.S. citizens or residents who are absent from the U.S. for at least 330 full days within a 12-month period
- U.S. citizens who are bona fide residents of another country for the entire tax year.

## Example

Fatima has an ITIN and files taxes but she is not lawfully present in the U.S. Her husband and daughter are U.S. citizens



**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8	Fatima Diallo	999-11-1111	C	X												

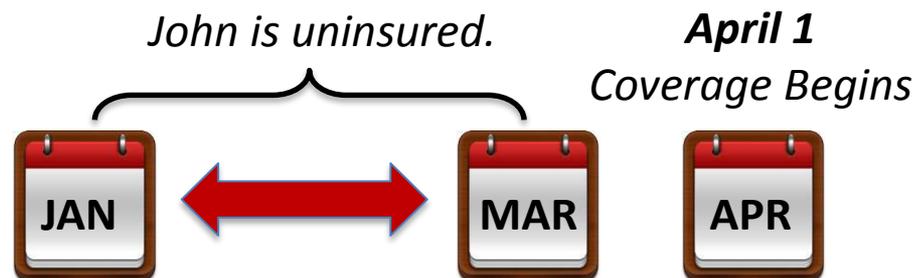
## Short Coverage Gap (Code B)

- **Short coverage gap (< 3 months)**
  - If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
  - If there are multiple gaps in a year, only the first gap qualifies.

### Example



- 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.

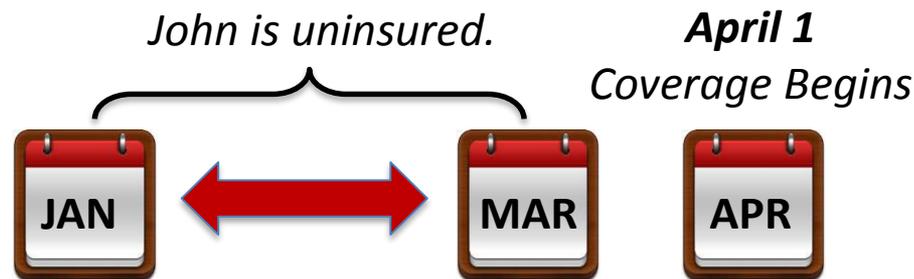
## Coverage Gap Prior to Obtaining MEC (Code G)

- **Coverage gap prior to obtaining MEC that is effective by May 1, 2014**
  - For a person who enrolls in Marketplace coverage, Medicaid or CHIP, or other individual or group insurance with an effective date on or before May 1, 2014, or
  - For people who were “in line” for Marketplace coverage at the end of open enrollment, even if their coverage effective date was after May 1.

### Example



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



John qualifies for an exemption for months prior to the effective date of MEC that is effective on or before May 1.

# Non-Calendar Year Employer-Sponsored Plan (Code H)

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- Exemption is available if:
  - The person was eligible for, but did not enroll in, coverage offered by an employer, and
  - The coverage began in 2013 and ended in 2014
- Available for 2014 only

## Example

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- John's employer offers health coverage with a plan year of July 1 – June 30.
- John is offered coverage starting July 1, 2013 and turns it down. He is uninsured.
- John is eligible for this exemption (Code H) for January – June 2014.

# Exemption for Particular Individuals

- Exemption for **incarcerated individuals** (Code F or Marketplace exemption)
  - Can be claimed for any months someone on the tax return was incarcerated for *at least one day* in the month
  - *What is incarceration?*
    - Confinement in a jail, prison or similar penal institution or correctional facility
    - Does not include time in jail pending disposition of charges (being held but not convicted of a crime)
    - Does not include time in probation, parole, or home confinement

## Reminder:

Some exemptions can be claimed either from the Marketplace or on the tax return.

If someone already has a Marketplace exemption in hand, use it on Form 8965.

If not, claim the exemption directly on the tax return rather than attempting to get the same exemption through the Marketplace.

# Exemption for Particular Individuals

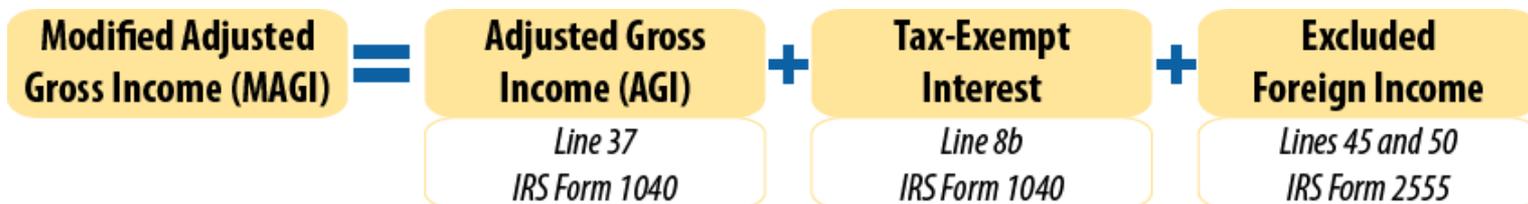
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- Exemptions based on **religion**
  - Members of a health care sharing ministry (**Code D** or Marketplace exemption)
  - Members of certain religious sects (Marketplace exemption)
  
- Exemptions based on **Indian tribe affiliation**
  - Members of a Federally-recognized Indian tribe (**Code E** or Marketplace exemption)
  - An American Indian, Alaska Native, spouse or dependent of either who is eligible for services through the Indian Health Services (**Code E** or Marketplace exemption)

- Some government coverage options are not MEC because they offer limited benefits
- Exemptions are available for:
  - Family planning services Medicaid
  - Pregnancy-related services Medicaid
  - Tuberculosis-related services Medicaid
  - Emergency medical condition Medicaid
  - Section 1115 Medicaid (limited-benefit coverage provided in some states to people who were not eligible for comprehensive Medicaid)
  - Medicaid for the medically needy (requires beneficiaries to “spend down” income into Medicaid range by paying for medical expenses)
  - Limited-benefit TRICARE coverage for space-available care
  - Limited-benefit TRICARE coverage for line-of-duty care

## Coverage is Unaffordable (Code A)

- In many cases, this is the most complex exemption to claim
  - Because of this, consider using this exemption only when no other exemption applies.
- For insurance to be *unaffordable*, the cost of coverage must exceed 8 percent of household income.
  - Household income:



- The key is understanding which plan cost to measure against household income

# Coverage is Unaffordable (Code A)

## Which plan cost should be compared to household income?

Is the taxpayer or family member eligible for coverage through an employer?

As an employee?

If yes, does the lowest-cost self-only plan cost more than 8% of household income?  
**Enter Code A for each applicable month**

As a member of the employee's family?

If yes, does the lowest-cost plan that covers everyone on the return who is eligible for coverage and is not otherwise exempt cost more than 8% of household income?  
**Enter Code A for each applicable month**

Do two or more family members have offers of employer coverage?

(1) Individual coverage offers are affordable but (2) their combined cost is greater than 8% of income and (3) no family coverage is offered for less than 8% of income?  
**Enter Code G for the entire year**

Does the taxpayer or family member have no offer of employer-sponsored coverage?

If yes, does the lowest-cost bronze Marketplace plan for all uninsured, nonexempt members of the tax household cost more than 8% of household income?

- Find the lowest cost bronze plan at the Marketplace
- Account for any PTCs the person would have been eligible to receive

## Coverage is Unaffordable (Code A)

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### *Which plan cost should be compared to household income?*

- What information does the taxpayer need?
  - ***For employer offer:*** The employee premium for the lowest cost employee or family plan (as applicable) offered during the 2014 plan year(s)
  - ***For no employer offer:*** The lowest cost bronze plan in the Marketplace after subtracting the amount of PTCs a person would be eligible to receive
- **The problem:** This information may be hard to obtain

## Example: Affordability Exemption

Sonia Reyes is offered health insurance at work but she doesn't accept it.

- Household Income: \$47,000
- Sonia's premium for employee-only plan:  
\$196/month (\$2,350/year)  
*5% of income*
- Sonia's premium for employee plus children:  
\$392/month (\$4,700/year)  
*10% of income*
- No spousal coverage is offered



**Do Sonia or her family qualify for exemptions based on affordability?**

## Example: Affordability Exemption

### Test for Sonia (*an employee with an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered



**Does the lowest-cost plan that covers only the employee cost more than 8% of household income?**

- No, the lowest cost employee-only plan is 5% of income. The plan is considered affordable. Sonia does not qualify for exemption on the basis of affordability.

## Example: Affordability Exemption

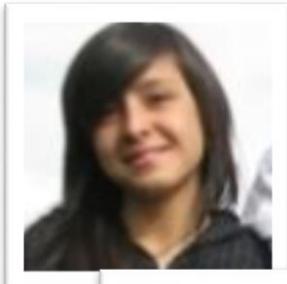
### Test for the kids (*family members with an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered



**Does the lowest-cost plan that covers the kids cost more than 8% of household income?**

- Yes, the kids are eligible for an exemption because the cost of coverage is greater than 8% of household income.
- On Form 8965, the kids will be listed in Part III and Code A will be entered for each month.



#### **What about Medicaid or CHIP?**

The children may be eligible for Medicaid or CHIP, but eligibility for those programs is not taken into account in awarding this exemption.

## Example: Affordability Exemption

### Test for Gilberto (*a person without an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered

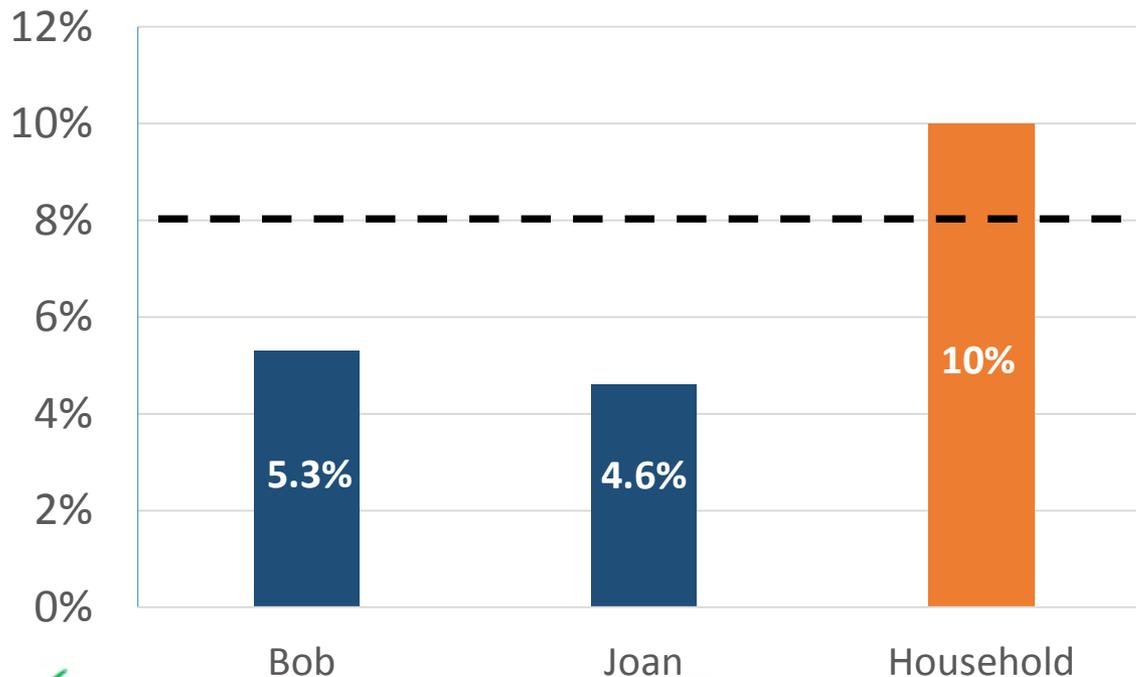


**Does the lowest-cost bronze plan covering only Gilberto in the Marketplace, after accounting for premium tax credits, cost more than 8% of household income?**

- His lowest cost bronze plan is \$2,000 (4% of household income), taking into account premium tax credits. The plan is considered affordable. He is not eligible for this exemption.

Bob and Joan have jobs that offer health coverage to the employee only.

- **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
- Neither is offered family coverage that would cover them both for less than 8% of income



They can claim the **Code G** exemption because the total cost of coverage exceeds 8% of income.

# Marketplace Exemptions

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## Why apply for an exemption through the Marketplace?

- A list of exemptions are available from the Marketplace but most are either:
  - Duplicative of exemptions that can be claimed directly on the tax return, or
  - Aren't available retrospectively
- At the time of tax filing in 2015, three types of exemptions will be available through the Marketplace:
  1. Religious conscience
    - Members of religious sects that object to insurance coverage, including Medicare and Social Security (e.g., Mennonite, Amish)
  2. Membership in an Indian Tribe (also available on the tax return)
  3. Hardship
    - Many categories of hardship

# Marketplace Exemptions: Hardship

Hardship Exemptions Granted by Marketplace	Duration
<p><b>Financial or domestic circumstances</b></p> <ol style="list-style-type: none"> <li>1. <i>Homelessness</i></li> <li>2. <i>Eviction in the last 6 months or facing eviction or foreclosure</i></li> <li>3. <i>Utility shut-off notice</i></li> <li>4. <i>Domestic violence</i></li> <li>5. <i>Recent death of a close family member</i></li> <li>6. <i>Disaster that resulted in significant property damage</i></li> <li>7. <i>Bankruptcy in the last 6 months</i></li> <li>8. <i>Debt from medical expenses in the last 24 months</i></li> <li>9. <i>High expenses caring for ill, disabled or aging relative</i></li> <li>10. <i>Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP</i></li> <li>11. <i>Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled</i></li> <li>12. <i>Determined ineligible for Medicaid because the state did not expand</i></li> <li>13. <i>Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable</i></li> <li>14. <i>Other hardship in obtaining coverage (including for people in AmeriCorps, VISTA and NCCC who are enrolled limited duration or self-funded coverage)</i></li> </ol>	<p>At least one month before and after hardship</p> <p><b>When to Apply</b></p> <p>Up to 3 years after the month of the hardship (but documentation is required in most circumstances so earlier is better)</p>

# Marketplace Exemptions: Hardship #12

Update 11/21/14

A taxpayer can still apply for this exemption through the Marketplace (below) but it can also be claimed *directly on the tax return* as a **Code G** hardship by a person who lived in a non-expansion state and had household income below 138% FPL. **People who meet these criteria can claim the exemption on their tax returns even if they did not apply for Medicaid and receive a denial in 2014.**

## Ineligible for Medicaid based on state decision not to expand

- Available to low-income adults (<138% FPL)
- To receive this exemption from the Marketplace, the taxpayer must:
  - Have applied for Medicaid before December 31, 2014, and
  - Be denied Medicaid because the state did not expand coverage
- **Problem**: Few people understood that a denial was required in order to get the exemption from the Marketplace
- For those who did apply for and were denied Medicaid:
  - Many will receive an automatic exemption without applying for the exemption at the Marketplace
  - A person will not get an automatic exemption if he or she:
    - Applied directly at the state Medicaid agency instead of the Marketplace
    - Applied at the Marketplace but had income above the poverty line

# Applying for a Hardship Exemption

- Consider a Marketplace exemption if a member of the household is:
  - Uninsured for one or more months, and
  - Not eligible for an exemption that is claimed directly on the tax return.
- A Marketplace exemption application must be printed, completed and mailed
- Processing takes 2+ weeks (may be significantly longer)

## Should I Make a Referral to Complete a Hardship Application?

- A referral to a health care assister is one option but it causes additional delay
- Consider helping the client complete the hardship application at your tax site
- No special health care knowledge is needed. Application requires:
  - Name and contact info
  - Dependents
  - Documentation of exemption
  - Taxpayer's signature

### Hardship application

<https://marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf>

# Applying for a Hardship Exemption

- Most hardship exemptions require documentation of the hardship.
  - E.g., Hardship of utility shut-off requires a copy of the shut-off notice

## Note:

- The exemptions claimed on the tax return apply to both the FFM and state-run marketplaces.
- For exemptions that must be approved by the Marketplace, the FFM is processing exemptions for all states except Connecticut.

## Hardship Categories and Documentation

You may qualify for a hardship exemption if you experienced one of the following:

Hardship number (Put this number in box 8 on page 3.)	Category	Submit this documentation with your application
1	You were homeless.	None
2	You were evicted in the past 6 months or were facing eviction or foreclosure.	Copy of eviction or foreclosure notice
3	<b>You received a shut-off notice from a utility company.</b>	<b>Copy of shut-off notice from a utility company</b>
4	You recently experienced domestic violence.	None
5	You recently experienced the death of a close family member.	<b>Copy of death certificate, copy of death notice from newspaper, or copy of other official notice of death</b>
6	<b>You experienced a fire, flood, or other natural human-caused disaster that caused substantial damage to your property.</b>	<b>Copy of police or fire report, insurance claim, or other document from government agency, private entity, or news source documenting event</b>
7	<b>You filed for bankruptcy in the last 6 months.</b>	<b>Copy of bankruptcy filing</b>
8	You had medical expenses you couldn't pay in the last 24 months.	Copies of medical bills
9	You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.	Copies of receipts related to care
10	You expect to claim a child as a tax dependent who's been denied coverage in Medicaid and the Children's Health Insurance Program (CHIP), and another person is required by court order to give medical support to the child.	Copy of medical support order AND copies of eligibility notices for Medicaid and CHIP showing that the child has been denied coverage
11	As a result of an eligibility appeals decision, you're <b>eligible either for: 1) enrollment in a qualified health plan (QHP) through the Marketplace, 2) lower costs on your monthly premiums, or 3) cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace.</b>	Copy of notice of appeals decision
12	You were determined ineligible for Medicaid because your state didn't expand eligibility for <b>Medicaid under the Affordable Care Act.</b>	Copy of notice of denial of eligibility for Medicaid
13	You received a notice saying that your current health insurance plan is being cancelled, and you consider the other plans available <b>unaffordable.</b>	Copy of notice of cancellation
14	You experienced another hardship in obtaining health insurance.	<b>Please submit documentation if possible</b>



# Types of Exemptions

Does the taxpayer already have an exemption from the Marketplace?

**YES**

Enter on Form 8965,  
Part I

**NO**

Does the taxpayer have income below the filing threshold?  
*Applies to the entire household for the entire year.*

**YES**

Enter on Form 8965,  
Part II

**NO**

## Exemptions for individuals *(duration varies):*

Exemption	IRS Code
Certain noncitizens and citizens living abroad	Code C
Health care sharing ministry	Code D
Federally-recognized Indian tribe or eligible for IHS	Code E
Limited benefit Medicaid	Code H
Incarceration	Code F
Insurance is unaffordable	Code A
Aggregate cost of insurance is unaffordable	Code G
Individuals in a state that did not expand Medicaid	Code G

## Exemptions for individuals that have a limited duration:

Exemption	IRS Code
Short coverage gap	Code B
Coverage by May 1 or "in-line"	Code G
Non-calendar year coverage	Code H

**NO**

**NO**

Does anyone qualify for a  
Marketplace hardship exemption?

**YES**

*apply*

Enter on Form 8965,  
Part I

# Individual Shared Responsibility Payment (ISRP)

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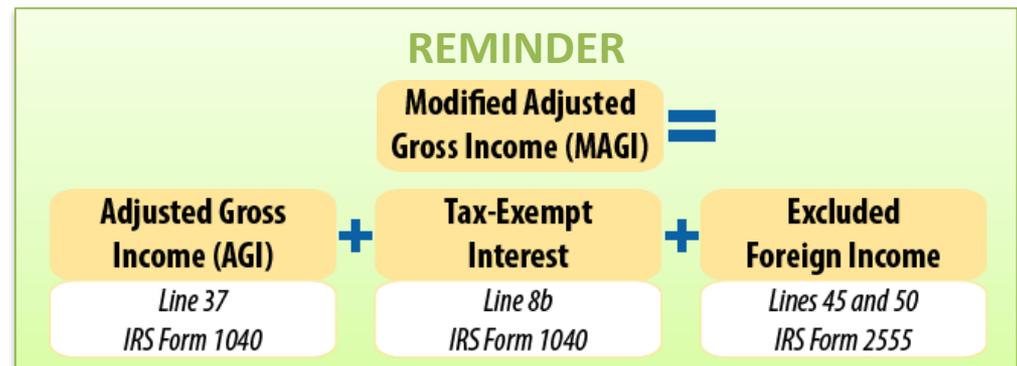
aka Individual Responsibility Payment

aka “Penalty”

# Individual Shared Responsibility Payment (ISRP)

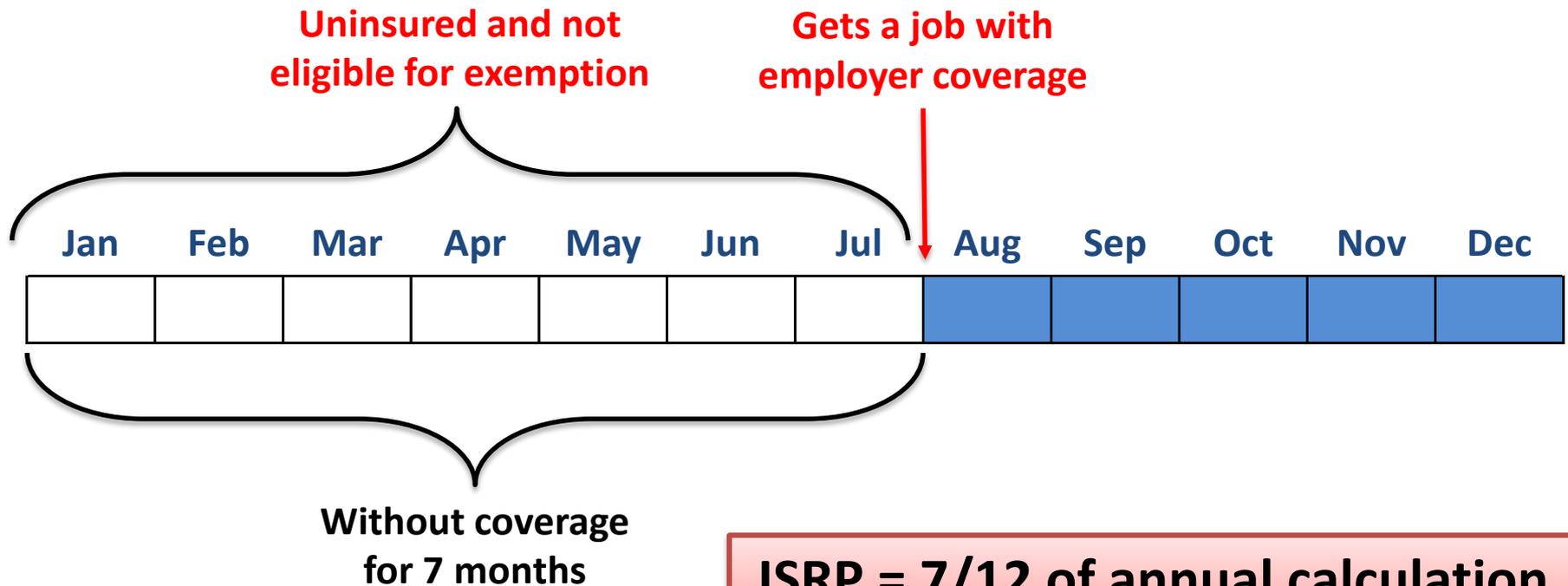
Year	Full-year payment is <u>greater</u> of:	
2014	1% of income above tax filing threshold (up to cap*)	\$95 per adult, \$47.50 per child (up to cap of \$285)
2015	2% of income above tax filing threshold (up to cap*)	\$325 per adult, \$162.50 per child (up to cap of \$975)
2016	2.5% of income above tax filing threshold (up to cap*)	\$695 per adult, \$347.50 per child (up to cap of \$2,085)
> 2016	<i>Values increased by a cost-of-living adjustment</i>	

\* Capped at national average premium of a bronze level plan purchased through a Marketplace. For 2014, the cap is **\$2,448 per individual** (\$204 per month per individual), with a maximum of \$12,240 for a family with five or more members (\$1,020 per month for a family with five or more members).



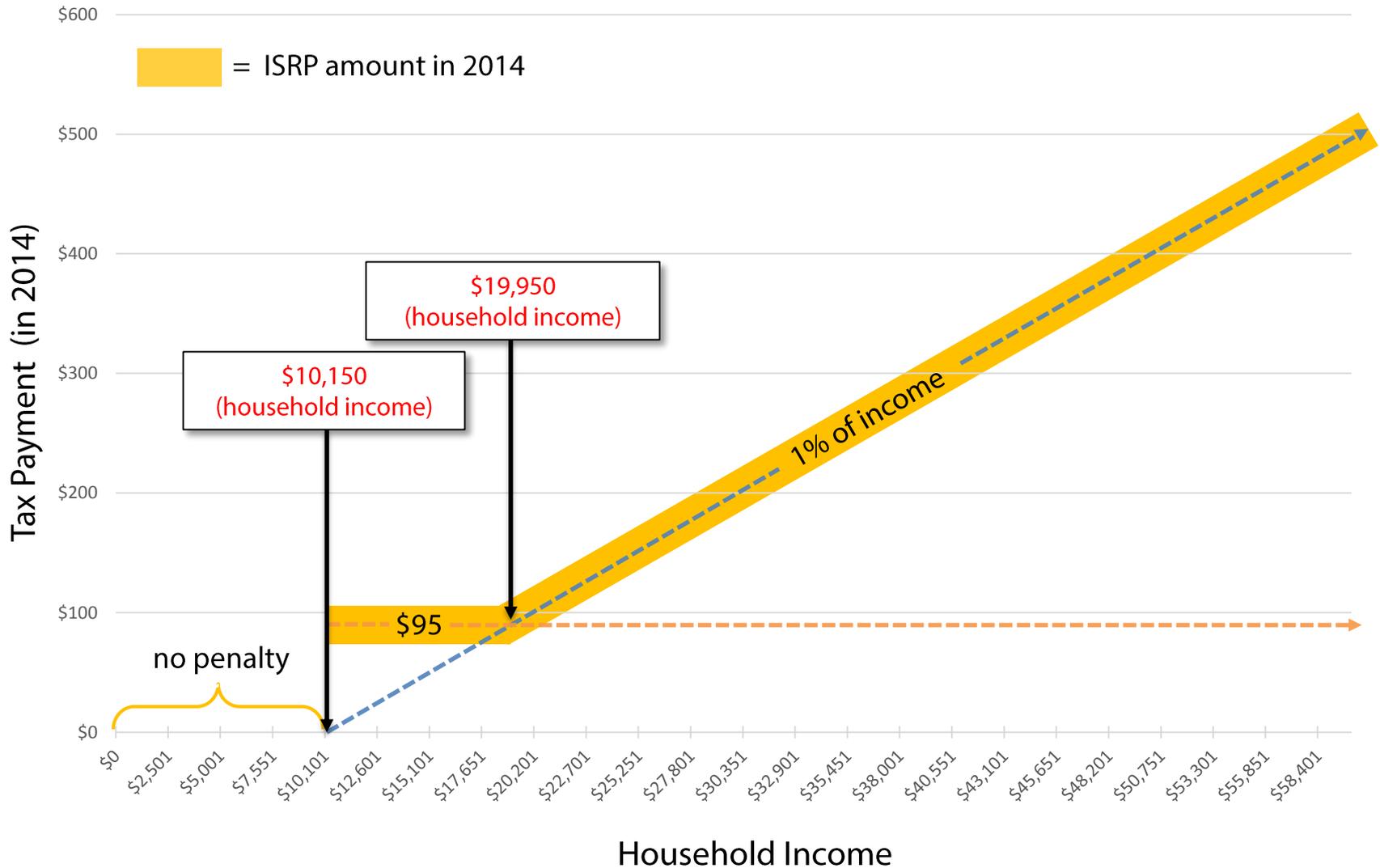
# Calculating the ISRP– Partial Year Coverage

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

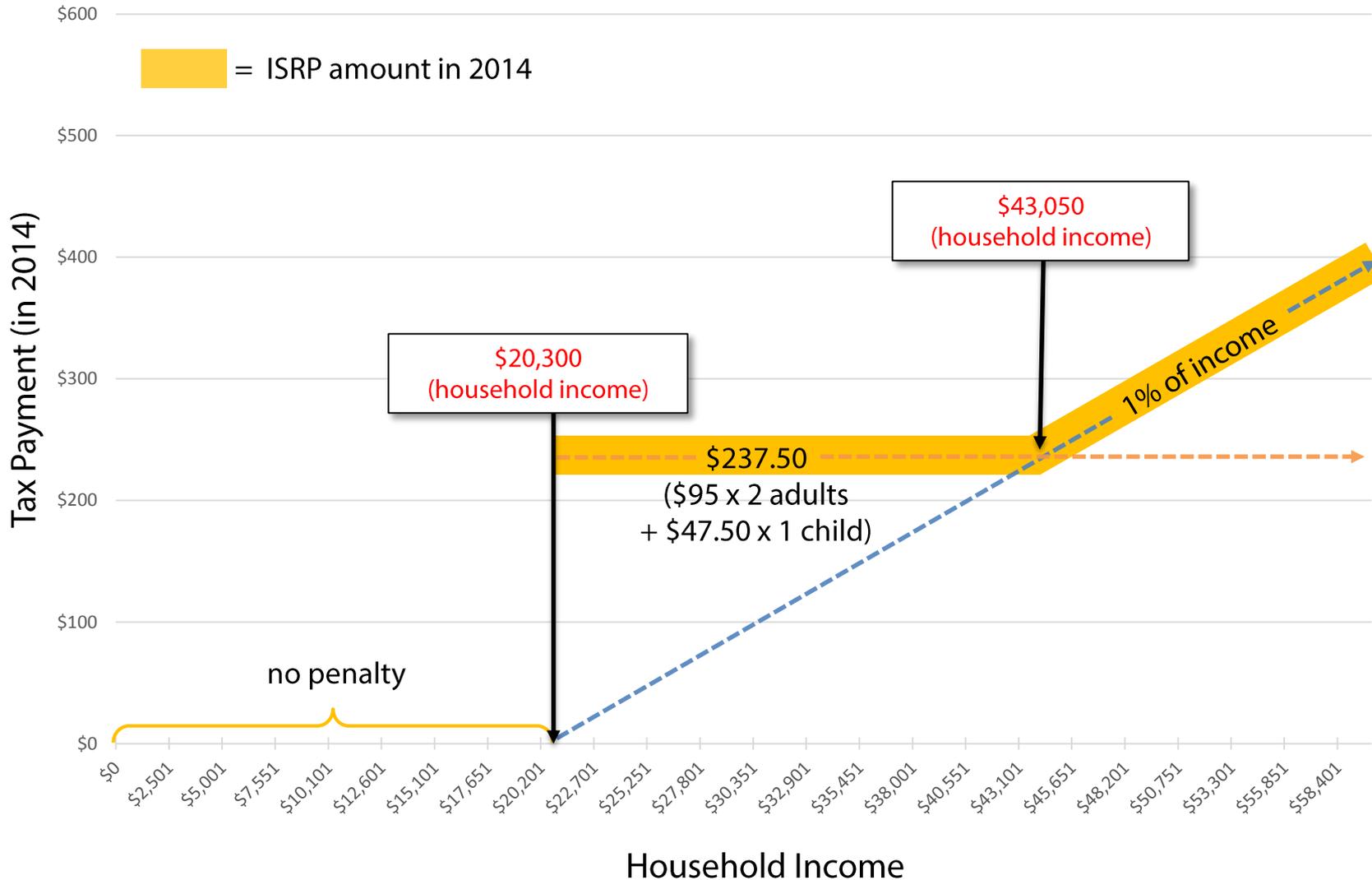




# Calculating the ISRP - Single



# Calculating the ISRP - Married Filing Jointly with 1 child



## Example: Reyes Family (Married Filing Jointly)



Income:	<b>\$39,500 (168% FPL)</b>
Filing Status:	<b>Married, filing jointly</b>
Adults:	<b>2 (both uninsured)</b>
Children:	<b>2 (both uninsured)</b>

Tax Filing Threshold:	<b>\$20,300</b>
Months Uninsured:	<b>12</b>

*ISRP Calculation:*

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

$$\underline{\quad \quad \quad} \times 1\%$$

$$\mathbf{\$192.00}$$

$$2. \$95 \times 2 \text{ adults}$$

$$+ \$47.50 \times 2 \text{ children} = \mathbf{\$285.00}$$

**ISRP for  
2014**



## Exemptions

- IRS Coverage Exemption Table (with descriptions)  
<http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Exemptions>
- Draft Form 8965  
<http://www.irs.gov/pub/irs-dft/f8965--dft.pdf>
- Draft Instructions for Form 8965  
<http://www.irs.gov/pub/irs-dft/i8965--dft.pdf>
- Marketplace exemption information and applications  
<https://www.healthcare.gov/fees-exemptions/fees-exemptions-overview/>

## Shared Responsibility

- IRS – Affordable Care Act Resources  
[www.irs.gov/aca](http://www.irs.gov/aca)
- IRS – Shared Responsibility Resources  
<http://www.irs.gov/uac/Individual-Shared-Responsibility-Provision>

- Tara Straw, [tstraw@cbpp.org](mailto:tstraw@cbpp.org)
- Halley Cloud, [cloud@cbpp.org](mailto:cloud@cbpp.org)

For more information and resources, please visit:

[www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

*This is a project of the Center on Budget and Policy Priorities, [www.cbpp.org](http://www.cbpp.org)*