



ACA: What Tax Preparers Need to Know

Part I: Basic Certification Topics

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Important Notes:

- Only Bill shares the views of the IRS.
- All other statements and slides are not endorsed by the IRS.

Basic Certification Topics

- What's New for TY 2015
- VITA/TCE Scope and Intake Form for TY 2015
- Minimum essential coverage (MEC)
- Forms 1095-B and 1095-C
- Coverage Exemptions
- Shared Responsibility Payment (SRP)

Upcoming Presentations

Nov. 2 – Advanced Certification Topic: Premium Tax Credit

Nov. 9 – Comprehensive Examples and TaxWise Updates

Shared Responsibility Payment - Overview



Report Health Coverage

Taxes		59	59
60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		
60a	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 <input checked="" type="checkbox"/>	61	



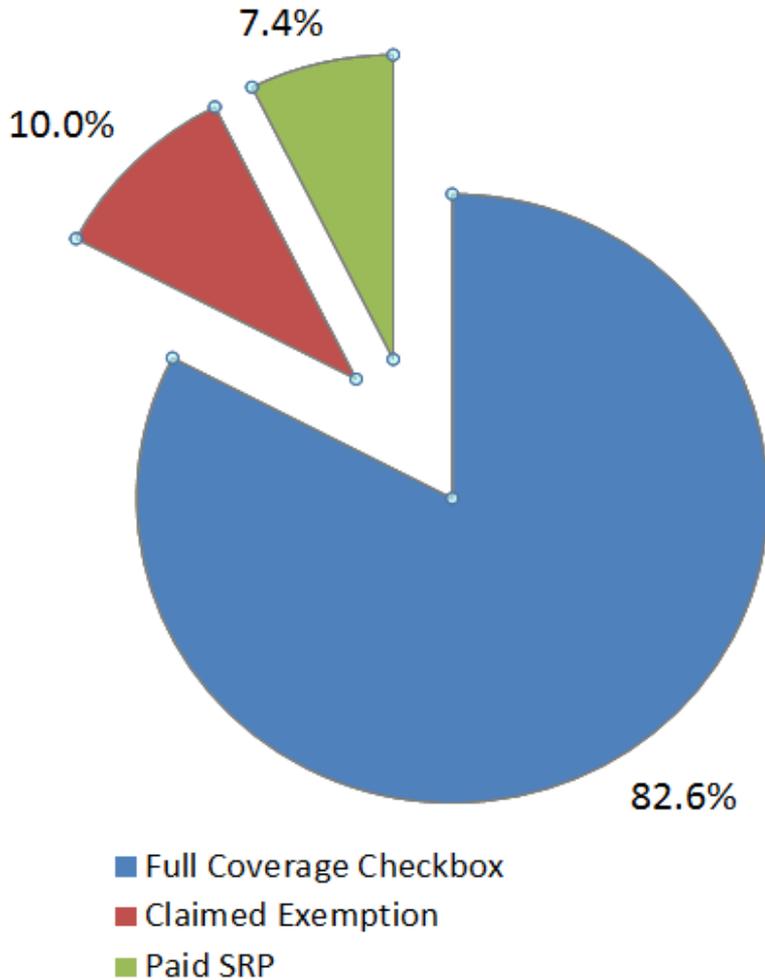
Claim Exemption from Coverage Requirement

Form 8965 Department of the Treasury Internal Revenue Service	Health Coverage Exemptions ▶ Attach to Form 1040, Form 1040A, or Form 1040EZ. ▶ Information about Form 8965 and its separate instructions is at www.irs.gov/form8965 .	OMB No. 1545-0074 2015 Attachment Sequence No. 75
Name as shown on return		Your social security number



Make Shared Responsibility Payment

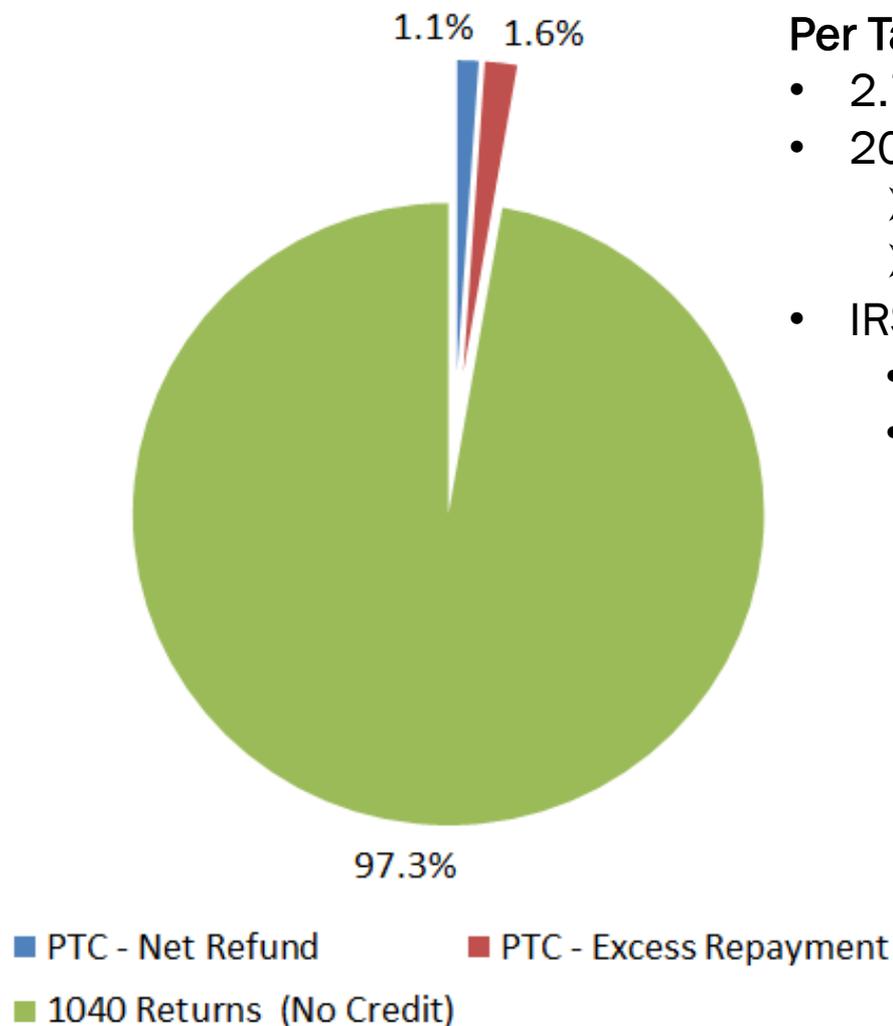
Taxes		59	59
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60a	Household employment taxes from Schedule H	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61	325



Per TaxWise report of 3.3 million VITA/TCE returns:

- Average SRP Payment of \$ 131
- 405K total exemptions claimed (multiple/return)
- Some SRP returns qualified for exemptions:
 - Income below filing threshold
 - Dependent Returns

Exemption Type	Frequency of Use
G - Medicaid Non-Expansion + Hardships	48%
C - Living Abroad and Not Lawfully Present	23%
A - Affordability	13%
B - Short Coverage Gap	7%
H - Transitional Relief	6%
D -Healthcare Sharing Ministry	1%
E - Tribal Member or IHS eligible	1%
F - Incarceration	0%



Per TaxWise report of 3.3 million VITA/TCE returns:

- 2.74% of returns included Form 8962
- 2014 was the first year of APTC reconciliation:
 - Additional net credit average \$664
 - Average excess APTC repayment \$586
- IRS granted administrative relief for:
 - Erroneous 1095-A data
 - Waiver of penalties related to repayment of excess APTC

Note: In July-August 2015, the IRS sent reminder notices to taxpayers who received Form 1095-A reminding them of the requirement to file a 2014 Form 1040/8962 to reconcile Advance Payments of the PTC . This is important to remain eligible for APTC in 2016.

What's New for TY 2015

- **New VITA/TCE scope**
 - The premium tax credit is now an advanced topic. Complex premium tax credit situations (shared policy allocations and alternative year of marriage calculation) are out of scope.
- **Anticipated TaxWise changes**
 - Revised ACA Worksheet
 - New ACA affordability exemption worksheet
- **New Reporting Statements: Forms 1095-B and 1095-C**
 - Entities that issue health insurance coverage and large employers are required to provide enrollees and the IRS with tax forms that report monthly coverage information.
 - New, so errors likely

- **Coverage Exemptions - Updates**

- 2014 “Transitional” exemptions no longer in effect

- Gap in coverage before May 1

- Employer coverage with coverage year starting in 2013

- Limited-benefit Medicaid (still available for some types of Medicaid coverage but requires Marketplace application for exemption)

- New exemption

- Months not covered due to birth, adoption or death during the year

- **2015 Shared Responsibility Payment**

- The higher of: \$325/adult or 2% of income above filing threshold.*

- *Flat amount capped at \$975; percentage of income capped at national average LCBP

Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If Yes, Receive an advanced payment from the Marketplace to help pay your monthly health care payments?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, 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 Minimum Essential Coverage (MEC) for everyone listed on the return.)

Name (List dependents in the same order as in Part II)	MEC Entire Year	No MEC	Part Year MEC (mark months with coverage)	Exemption (mark months exemptions applies)	Exemption All Year	Notes
Taxpayer			J F M A M J J A S O N D	J F M A M J J A S O N D		
Spouse			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		

Minimum Essential Coverage (MEC)

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
- **Medicaid coverage that does not provide comprehensive benefits**

Some people are eligible for a Marketplace exemption

Remember! Coverage for one day of the month is enough to fulfill the coverage requirement for the entire month

Who does the coverage requirement apply to?

- The taxpayer, spouse and anyone who is or could be claimed on the tax return as a dependent.

How do I know if coverage is MEC?

- Most coverage is MEC and reported on Form 1095 series (A,B,C)
- Consult Form 8965 Instructions for detailed table

How do I verify that a person was covered?

- Taxpayers may have evidence of coverage (e.g. insurance card or Form 1095).
- Tax preparers are not required to see evidence of coverage to verify that each individual was insured. The interview is often sufficient.
- Taxpayers are responsible for accuracy of information reported on the return (e.g. return signed under penalty of perjury).
- Since 1095-B or 1095-C are new forms, they may be prone to error.

Forms 1095-A/B/C

Form 1095-A

Form 1095-A

- Issued by the Marketplace to people who enrolled in Marketplace coverage.
- Necessary to prepare Form 8962, which is required for people who received Advance Premium Tax Credits
- Corrections? Call the Marketplace that issued the form

Form 1095-B

Form 1095-B

- Issued by Medicaid, Medicare, insurers, and others who offer coverage.
- Individuals with coverage should receive this form.
- Useful in determining the months a person had coverage.

Form 1095-C

Form 1095-C

- Issued only by large employers (employers with 50 or more full-time EEs)
- Useful in determining the months a person had coverage or an offer of coverage and the cost of the offer of coverage. (May be helpful to calculate the affordability exemption.)
- Serves a dual purpose in (1) confirming that a taxpayer had coverage and (2) helping IRS determine whether an employer owes a shared responsibility payment for failure to offer affordable coverage.

Form **1095-B**
Department of the Treasury
Internal Revenue Service

Health Coverage

► Information about Form 1095-B and its separate instructions is at www.irs.gov/form1095b.

560115
OMB No. 1545-2252
2015

VOID
 CORRECTED

Part I Responsible Individual

1 Name of responsible individual		2 Social security number (SSN)	3 Date of birth (If SSN is not available)
4 Street address (including apartment no.)	5 City or town	6 State or province	7 Country and ZIP or foreign postal code
8 Enter letter identifying Origin of the Policy (see instructions for codes): <input type="checkbox"/>			
9 Small Business Health Options Program (SHOP) Marketplace Identifier, if applicable			

Part II Employer Sponsored Coverage (see instructions)

10 Employer	11 Employer identification number (EIN)
12 Street address (including room or suite no.)	13 City or town
15 Country and ZIP or foreign postal code	

Part III Issuer or Other Coverage Provider (see instructions)

16 Name	17 Employer identification number (EIN)	18 Contact telephone number
19 Street address (including room or suite no.)	20 City or town	21 State or province
22 Country and ZIP or foreign postal code		

Part IV Covered Individuals (Enter the information for each covered individual(s).)

(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not available)	(d) Covered all 12 months	(e) Months of coverage												
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
23			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

One of these sections will be completed

Each covered family member will be listed

Either the SSN or date of birth will be listed (no need to validate its accuracy)

Full year/months covered

Form 1095-C
Department of the Treasury
Internal Revenue Service

Employer-Provided Health Insurance Offer and Coverage

► Information about Form 1095-C and its separate instructions is at www.irs.gov/form1095c

VOID
 CORRECTED

OMB No. 1545-2251
2015

Part I Employee

1 Name of employee

2 Social security number (SSN)

3 Street address (including apartment no.)

4 City or town

5 State or province

6 Country and ZIP or foreign postal code

Applicable Large Employer Member (Employer)

7 Name of employer

8 Employer identification number (EIN)

9 Street address (including room or suite no.)

10 Contact telephone number

11 City or town

12 State or province

13 Country and ZIP or foreign postal code

Part II Employee Offer and Coverage

14 Offer of Coverage (enter required code)

15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage

16 Applicable Section 4980H Safe Harbor (enter code, if applicable)

Plan Start Month (Enter 2-digit number):

All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<input type="checkbox"/>												

Cost of an offer of coverage – Can be used to determine whether the employee is eligible for an affordability exemption if they did not accept coverage

17

\$

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	(e) Months of Coverage												
				Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	
17			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Each covered family member will be listed

Either the SSN or date of birth will be listed (no need to validate its accuracy)

Full year/months covered

Handling Missing or Incorrect 1095s

Form 1095-A

- Necessary to prepare Form 8962. Taxpayers receiving APTC are required to file.
- Get corrections before filing. Sometimes these are given over the phone.
- Note: If the SLCSP is missing or incorrect, use the SLCSP tool on healthcare.gov to find the correct plan cost. Print out the result page for the taxpayer's records. Enter the correct SLCSP in TaxWise.

Form 1095-B and 1095-C

- **If a person is insured but does not receive either 1095-B or -C**, he or she should ask the insurance issuer whether one will be sent. If not, prepare the return based on client's interview and attestation.
- **If a person received the form but doesn't bring it to the tax site**, prepare the return based on client's interview and attestation. The client should be aware that the form may be needed in case of audit.
- **If someone received the form and it is incorrect**, contact the issuer for a correction. File the return based on the client's attestation. The client is not required to wait for a correction. The IRS plans to match data after filing, so pursuing a correction is important.

13614-C

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

Name (List dependents in the same order as in Part II)	MEC Entire Year	No MEC	Part Year MEC (mark months with coverage)	Exemption (mark months exemptions applies)	Exemption All Year	Notes
Taxpayer			J F M A M J J A S O N D	J F M A M J J A S O N D		
Spouse			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		

- The ACA Worksheet is changing – details to follow
- **Note:**
 - Form 13614-C asks the preparer to mark *months with coverage* or *months with exemption*.
 - Like last year, TaxWise is likely to ask for *months with penalty*.

Exemptions

Exemptions from the Coverage Requirement

Two Types of Exemptions:

- All exemptions must be claimed at tax filing on Form 8965

Exemptions Granted by the Marketplace

- Part I of Form 8965
- Must apply by mail for the exemption through the Marketplace
- Need supporting documentation
- Lengthy process

Exemptions Granted by the IRS

- Part II and III of Form 8965
- Can claim these exemptions directly on Form 8965 at tax time
- No supporting documentation needed
- Immediate

Form 8965		Health Coverage Exemptions		OMB No. 1545-0074												
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, Form 1040A, or Form 1040EZ. ▶ Information about Form 8965 and its separate instructions is at www.irs.gov/form8965 .		2014 Attachment Sequence No. 75												
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	b	c													
	Name of Individual	SSN	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? <input type="checkbox"/> Yes <input type="checkbox"/> No																
b Are you claiming a hardship exemption because your gross income is below the filing threshold? <input type="checkbox"/> Yes <input type="checkbox"/> 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	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Name of Individual	SSN	Exemption Type	Full Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
8																
9																
10																
11																
12																
13																
For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions.																
Cat. No. 37787G Form 8965 (2014)																

IRS Exemptions: Form 8965, Part II

Types of IRS Household Exemptions:

Exemption covers the entire household for the entire year

- Household income below filing threshold
- Gross income (not including income of a dependent with a filing requirement) is below the filing threshold

Advantage: Checking one of these boxes can exempt everyone on the tax return for every month uninsured. (No need to also complete Part III for individual exemptions)

Form **8965** Health Coverage Exemptions OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service Attach to Form 1040, Form 1040A, or Form 1040EZ. Information about Form 8965 and its separate instructions is at www.irs.gov/form8965. **2014** Attachment Sequence No. 75
 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

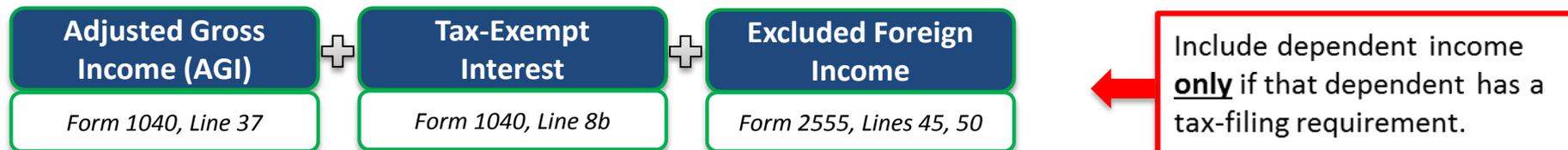
b Are you claiming a hardship exemption because your gross income is below the filing threshold? Yes No

	Name of Individual	SSN	Type	Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
8																
9																
10																
11																
12																
13																

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37787G Form 8965 (2014)

Coverage Exemptions for the Household

Household income for Line 7a (household income below filing threshold) and ISRP



Gross income for Line 7b (gross income below the filing threshold)

All income received in the form of money, goods, property and services that is not exempt from tax, including any income sources outside the U.S. or from the sale of your main home (even if you can exclude part or all of it)

- Include only the taxable portion of Social Security benefits
- Include income or gains but not expenses or losses from Schedules C, D and F
- **Do not include income of any dependents**

Form 8965

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

Filing threshold	10150
Household income from ACA worksheet	12541
Estimated gross income entered in this return	12541

- 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

For these amount to be correct, all income must be entered and the ACA Worksheet must be completed. Make sure to enter the income of a dependent ONLY IF he or she has a filing requirement. See Pub 4012 for dependent filing requirements.

US	Affordable Care Act Worksheet	2014
7 Household income Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero		17000
8 Filing threshold		0
9 Subtract line 8 from line 7		17000
10 Multiply line 9 by 1%		170
11 Is line 10 more than \$285? <input type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero. <input checked="" type="checkbox"/> No. Amount calculated based on the flat dollar amount worksheet		0
12 Divide line 11 by 12		0
13 Multiply line 6 by \$204		0
14 Smaller of line 12 or line 13		0

IRS Exemptions: Form 8965, Part III

IRS Individual Exemptions:

Use Part III to claim exemptions for individual household members

- Can be claimed for monthly or for entire year
- A person can be eligible for multiple exemptions during the year, but only report one exemption per month.

Note: Enter an exemption type (A-F) if eligible for IRS exemption

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.

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

7b 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.

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																
13																

IRS Exemptions: Form 8965, Part III

Insurance is considered unaffordable – Minimum premium would have cost more than 8.05% of household income	A
Short coverage gap – Uninsured for less than 3 consecutive months	B
Citizens living abroad and certain noncitizens – Includes people who are not lawfully present	C
Members of a health care sharing ministry	D
Members of an Indian tribe or eligible for services through an Indian health care provider or the Indian Health Service	E
Incarceration	F
Aggregate self-only coverage is considered unaffordable – Total cost of two or more family members' aggregate self-only coverage is more than 8.05% of household income	G
Resident of a state that did not expand Medicaid	G
Member of the tax household born, adopted or died	H

IRS Exemptions: Medicaid Coverage Gap

Resident of a state that did not expand Medicaid

G

- Individuals who resided at any time during 2015 in a state that did not expand Medicaid, *and*
- Had household income below 138% FPL



Family Size	138% FPL
1	\$16,105
2	\$21,707
3	\$27,310
4	\$32,913

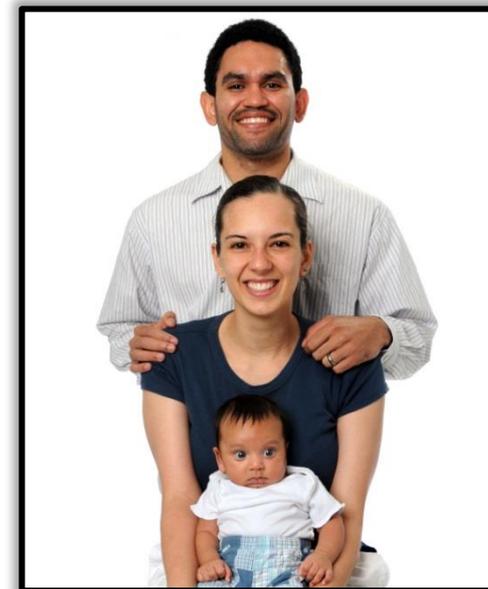
Applies to people who lived at any time in 2015 in one of the following states:

- Alabama
- Alaska
- Florida
- Georgia
- Idaho
- Indiana
- Kansas
- Louisiana
- Maine
- Mississippi
- Missouri
- Montana
- Nebraska
- North Carolina
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Virginia
- Wisconsin
- Wyoming

Example: Medicaid Coverage Gap Exemption

Rashid, Miriam and Leila

- Rashid was uninsured for all of 2015
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by CHIP
- Household income for 2015: \$25,000 (129% FPL)
- They live in Virginia (a state that did not expand Medicaid)



Does Rashid qualify for an exemption?

- ✓ YES, Rashid's household income is below 138% FPL and in 2015, 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 PTCs
- Rashid also qualifies for the entire year, even if he only lived in VA for one month before moving to Maryland (a state that did expand Medicaid)

IRS Exemptions: Short Coverage Gap

Short coverage gap

B

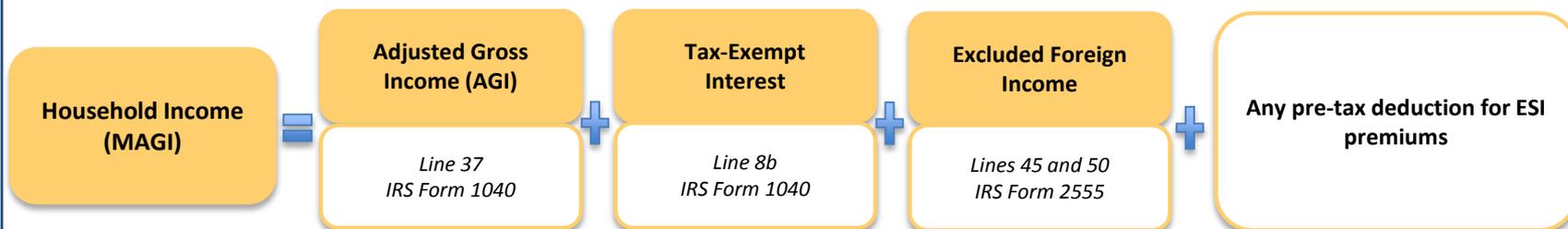
- A coverage gap of *less than 3 months* (so, 1 or 2 months). If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
Example: If Bob is uninsured January 1 to March 31, the exemption does not apply to any of those months because the gap is not *less than 3 months*.
- But remember that a person is considered to have coverage for the entire month if they have **coverage for one day in the month**.
Example 2: If Bob is uninsured January 20 to April 15, the exemption *does* apply. He is considered insured in January and April so there are only 2 months in the gap.
- **There is a look-back but no look-forward.** Consecutive uninsured months at the end of 2014 count toward a gap at the start of 2015; uninsured months in 2016 do not.
Example 3: If Bob is uninsured Dec 2014, Jan 2015 and Feb 2015, he doesn't qualify for this exemption because the gap is not less than 3 months.
Tip! If someone was uninsured in January 2015, and appears eligible for this exemption, ask whether they had coverage in December 2014.
Example 4: If Bob is uninsured starting in December 2015 and is still uninsured when you prepare his taxes in March 2016, he can claim this exemption for Dec.

IRS Exemptions: Affordability Exemption

Insurance is considered unaffordable – Lowest-cost premium would have cost more than 8.05% of household income

A

Start by determining household income



Then determine the lowest-cost premium available to each person

If the person is eligible for employer-sponsored insurance, use that cost (only).

If eligible for employer-sponsored insurance:

- As an employee: the lowest-cost self-only plan costs more than 8.05% of household income (Code A)
- As a member of the employee's family: the lowest-cost family plan costs more than 8.05% of household income (Code A)

If not eligible for an offer of employer-sponsored insurance:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer's family costs more than 8.05% of household income (Code A)

For a Person Eligible for Employer-Sponsored Insurance

- It's often difficult to find the cost of the applicable employer plan
- If the taxpayer has a 1095-C, line 15 will contain the lowest cost plan for the employee. The form will not state the lowest-cost family plan.

Form 1095-C Department of the Treasury Internal Revenue Service		Employer-Provided Health Insurance Offer and Coverage				<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-2251 2015					
Part I Employee						Applicable Large Employer Member (Employer)							
1 Name of employee			2 Social security number (SSN)			7 Name of employer			8 Employer identification number (EIN)				
3 Street address (including apartment no.)						9 Street address (including room or suite no.)			10 Contact telephone number				
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code			
Part II Employee Offer and Coverage						Plan Start Month (Enter 2-digit number):							
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)													
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)													

- If there is no 1095-C, the employee may have to ask his or her Human Resources Dept for the correct 2015 plan cost

IRS Exemptions: Affordability Exemption

The worksheet requires careful reading!

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2 through 11
2. Enter your household income (see [Household income](#))
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*
4. Add lines 2 and 3
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11
7. Multiply line 6 by 100 and round down to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7
8. Multiply line 4 by line 7
9. Divide line 8 by 12.0
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for minimum essential coverage (other than coverage in the individual market), and who doesn't qualify for another coverage exemption for the month. To find the second lowest cost silver plan go to the Marketplace for your area
11. Subtract line 9 from line 10. If zero or less, enter -0-
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month
13. Is the individual eligible for this coverage for every month of the year?
 - Yes. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the [Affordability Worksheet](#)
 - No. Multiply line 12 by 12.0. Enter the annualized premium in the space on the [Affordability Worksheet](#) for each month the individual was eligible for the coverage being tested

Line 1 requires the preparer to use an online tool to find the cost of the lowest-cost bronze plan (LCBP) available to members of the household.

Find the LCBP that includes everyone claimed on the tax return that is NOT:

- Eligible for employer-sponsored coverage, OR
- Eligible for exemption

Note: This means that you will include household members that have Medicaid or Medicare coverage!

Federal marketplace LCBP tool

<https://www.healthcare.gov/taxes/tools/bronze/>

IRS Exemptions: Affordability Exemption

The worksheet requires careful reading!

Line 10 requires the preparer find the cost of the second lowest-cost silver plan (SLCSP) available to members of the household.

Find the SLCSP that includes everyone claimed on the tax return that is NOT:

- Eligible for other MEC (including Medicaid, Medicare or employer-sponsored coverage), OR
- Eligible for exemption

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2 through 11
2. Enter your household income (see [Household income](#))
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*
4. Add lines 2 and 3
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11
7. Multiply line 6 by 100 and round down to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7
8. Multiply line 4 by line 7
9. Divide line 8 by 12.0
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for minimum essential coverage (other than coverage in the individual market), and who doesn't qualify for another coverage exemption for the month. To find the second lowest cost silver plan go to the Marketplace for your area
11. Subtract line 9 from line 10. If zero or less, enter -0-
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month
13. Is the individual eligible for this coverage for every month of the year?
 - Yes.** Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the [Affordability Worksheet](#)
 - No.** Multiply line 12 by 12.0. Enter the annualized premium in the space on the [Affordability Worksheet](#) for each month the individual was eligible for the coverage being tested

Federal marketplace SLCSP tool

<https://www.healthcare.gov/taxes/tools/silver/>

IRS Exemptions: Affordability Exemption

The worksheet requires careful reading!

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2 through 11
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11. Subtract line 9 from line 10. If zero or less, enter -0-
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13. Is the individual eligible for this coverage for every month of the year?
 - Yes. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the [Affordability Worksheet](#)
 - No. Multiply line 12 by 12.0. Enter the annualized premium in the space on the [Affordability Worksheet](#) for each month the individual was eligible for the coverage being tested

TIP!

Everything after Line 1 is designed to calculate the premium tax credit the individual may have been eligible for, i.e., to reduce the cost of coverage.

If the LCBP is already less than 8.05% of household income, **STOP**. The taxpayer is not eligible for this exemption.

Federal marketplace LCBP tool
<https://www.healthcare.gov/taxes/tools/bronze/>

IRS Exemptions: Affordability Exemption

Example: Household income for a taxpayer is **\$25,000**. He has no offer of employer-sponsored coverage and is seeking a Marketplace exemption. He can only claim the exemption for unaffordability if the cost of coverage is greater than **8.05%** of his income.

$$\$25,000 \times 0.0805 = \$2,013$$

On Line 1 of the worksheet, he calculates a LCBP cost of \$100 per month, or \$1,200 per year.

STOP – he cannot claim this exemption because his plan cost is already less than 8.05% of income, even before accounting for the additional discount he may get from the premium tax credit.

TIP!

Everything after Line 1 is designed to calculate the premium tax credit the individual may have been eligible for, i.e., to reduce the cost of coverage.

If the LCBP is already less than 8.05% of household income, **STOP**. The taxpayer is not eligible for this exemption.

Federal marketplace LCBP tool

<https://www.healthcare.gov/taxes/tools/bronze/>

IRS Exemptions: Affordability Exemption

Aggregate self-only coverage is considered unaffordable – Total cost of two or more family members' aggregate self-only coverage is more than 8.05% of household income

G

Household Income: \$45,000

Premium cost for Joan only:
\$2,100/year
(No offer of family coverage)
4.6% of income



Premium cost for Bob only:
\$2,400/year
(Offer of family coverage that exceeds 8.05% of income)
5.3% of income

Aggregate cost: \$2,100 + \$2,400 = \$4,500
10% of income

Therefore, Joan and Bob are eligible for a Code G exemption for the year.

IRS Exemptions: Certain Noncitizens

Citizens living abroad and certain noncitizens

C

This exemption applies to:

- Individuals who are not U.S. citizens, nationals or lawfully present (i.e., undocumented immigrants)
- Some other citizens living outside of the U.S., residents of territories, and 1040NR (or 1040NR-EZ) filers.

How do I identify someone who is eligible for this exemption?

- A person is eligible for PTC (and therefore NOT eligible for this exemption) if the person has an immigration status listed here: <https://www.healthcare.gov/immigrants/immigration-status/>
- If the person has an immigration status that is not listed, they are eligible for this exemption.
- For the most part, a person with an ITIN is eligible for this exemption. But there are exceptions:
 - A person is NOT eligible for this exemption if they have an ITIN and a status that allows them to purchase coverage in the Marketplace, such as the spouse of a student visa holder.
 - A person IS eligible for this exemption if they have a lawful social security number but not an eligible immigration status. So, a person who is a Deferred Action for Childhood Arrivals (DACA) grantee (“Dreamer”) can claim the exemption, despite having an SSN.

Example: Certain Noncitizens

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	990-71-1111	C	X												

Alternatively, Fatima could claim the exemption if:

- Fatima is a nonresident living abroad but elects to be treated as a U.S. resident for the purpose of joint filing.
- Fatima has a social security number but is a Deferred Action for Childhood Arrivals (DACA) grantee (“Dreamer”).

IRS Exemptions: Born, Adopted or Died

Member of the tax household born, adopted or died

H

The coverage requirement applies for full months alive or adopted. This exemption covers the other months of the year, when coverage is not required (e.g. before birth or after death).

Example 1: A child is born May 14. Coverage is required June - December. The exemption can be used January – May.

Example 2: A person dies May 14. Coverage is required January – April. The exemption can be used May – December.

Tip: If the entire tax family had coverage all year, you can still consider the born, died or adopted person to have full-year coverage. In examples 1 and 2 above, if everyone else on the return had coverage all year, you can still check the box on Line 61.

If you can't check the box, and need to indicate exemption or penalty by individual, use this exemption.

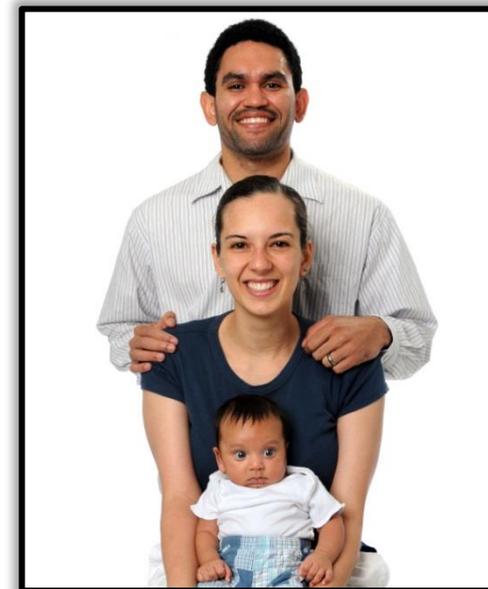
Example: Born, Adopted or Died

Rashid, Miriam and Leila

- Rashid and Miriam had insurance for all of 2015 through Miriam's employer.
- Leila was born in November and was added to the coverage.
- Rashid and Miriam can check the box on Line 61 for full-year coverage, even though Leila only had coverage in November and December.

Alternatively:

- Rashid and Miriam were uninsured for all of 2015.
- Leila was born in November and was also uninsured.
- Assuming no household exemption applies, use Code H for Leila for January through November. Use the short coverage gap exemption code "B" for December.



The Last Resort...Marketplace Exemptions

- If no other IRS exemption applies, consider helping a client apply for a Marketplace exemption
- Application must be mailed and takes time for processing
- If the application has been mailed but not processed, write “**pending**” in Part 1 of Form 8965.
- Useful for:
 - Religious conscience exemption (available only through the Marketplace)
 - Hardship exemptions

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

Marketplace Exemptions: Hardship

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

Applying for a Hardship Exemption

- For exemptions that must be approved by the Marketplace, the FFM is processing exemptions for all states except Connecticut.


Page 1 of 5

Hardship Categories and Documentation

Look at the hardship categories and the required documents listed below to see if you qualify for a hardship exemption.

Hardship number	Category	Required documentation (Send COPIES of one of the documents listed below for your hardship.)
1	You were homeless.	None.
2	You were evicted in the past 6 months or were facing eviction or foreclosure.	Eviction or foreclosure notice. The date of the notice must be within the last 6 months.
3	You received a shut-off notice from a utility company.	Shut-off notice from a utility company which states service has or will be shut-off.
4	You recently experienced domestic violence.	None.
5	You recently experienced the death of a close family member.	Death certificate, death notice from newspaper, funeral service program, funeral expenses, coroner's report, military notification of death, or other official notice of death.
6	You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property.	Police or fire report, insurance claim, or other document from government agency, private entity, or news source about the event.
7	You filed for bankruptcy in the last 6 months.	Official bankruptcy filing documents from a date within the last 6 months.
8	You had medical expenses you couldn't pay in the last 24 months.	Medical bills from a date within the last 24 months.
9	You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.	Receipts for bills or services related to care, like medical bills, home care services, or transportation receipts.
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.	Court order that covers the time period for which you want the exemption AND copies of eligibility notices for Medicaid and CHIP which show that the child has been denied coverage.
11	As a result of an eligibility appeals decision, you're 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.	Notice of appeals decision.
12	You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid under the Affordable Care Act.	Notice of denial of eligibility for Medicaid. The notice must be from a date during the time period for which you're requesting the exemption.
13	You received a notice saying that your current health insurance plan purchased on the individual market (non-group coverage) will be cancelled, and you consider the other plans available unaffordable.	Notice of cancellation from the insurance company.
14	You experienced a hardship that kept you from getting health insurance that's NOT listed in categories #1-13.	There are a limited number of other hardships that qualify. Go to HealthCare.gov/fees-exemptions/hardship-exemptions/ to see this list, and follow the instructions to claim another hardship on page 3.

Hardship application

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

Shared Responsibility Payment

Shared Responsibility Payment

- **Calculate Shared Responsibility Payment** for a taxpayer, spouse or dependent is uninsured and is not eligible for an exemption (e.g. income below the filing threshold).

Shared Responsibility Payment [†]			
Year	If income is above filing threshold, the payment is the greater of...		
2014	NO PENALTY if income is less than filing threshold <i>In 2015:</i> Single \$10,300 MFJ \$20,600	\$95 per adult, \$47.50 per child (up to \$285)	or 1% of income above the tax filing threshold*
2015		\$325 per adult, \$162.50 per child (up to \$975)	or 2% of income above the tax filing threshold*
2016		\$695 per adult, \$347.50 per child (up to \$2,085)	or 2.5% of income above the tax filing threshold*
2017		<i>Values are increased by a cost of living adjustment</i>	

[†] The payment calculation is for a person who is uninsured all year. If a person is uninsured for only some months, prorate the payment.

*Capped at the national average premium of a bronze level plan purchased through a Marketplace.

Example: Ruiz Family

Income: **\$39,500**
 Filing Status: **MFJ**
 Adults: **2 (both uninsured)**
 Children: **2 (both uninsured)**
 2015 Tax Filing Threshold: **\$20,600**



$$1. \$39,500 - \$20,600 = \$18,900 \times 2\% = \mathbf{\$378}$$

vs.

$$2. \$325 \times 2 \text{ adult} + \$162.50 \times 2 \text{ children} = \mathbf{\$975}$$

**Ruiz family's
2015 payment**

Form 1040				
Other Taxes	57	Self-employment tax. Attach Schedule SE	57	
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
	60a	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 <input type="checkbox"/>	61	\$975
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your total tax ▶	63		

Example: Ruiz Family

Income: **\$39,500**
 Filing Status: **MFJ**
 Adults: **2 (1 uninsured)**
 Children: **2 (both insured)**
 2015 Tax Filing Threshold: **\$20,600**



$$1. \$39,500 - \$20,600 = \$18,900 \times 2\% = \mathbf{\$378}$$

vs.

$$2. \$325 \times 1 \text{ adult} = \mathbf{\$325}$$

**Ruiz family's
2015 payment**

Form 1040				
Other Taxes	57	Self-employment tax. Attach Schedule SE	57	
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
	60a	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 <input type="checkbox"/>	61	\$378
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62	
	63 Add lines 56 through 62. This is your total tax ▶	63		

What do I tell a client that pays the SRP?

- **Make the taxpayer aware of the payment.** It was easy to miss in TY 2014 but it increases substantially this year and next.
- **Refer** to a health care assister, healthcare.gov or your state-based Marketplace. If the taxpayer gets health care at a free clinic, clinic staff can likely help with enrollment.
 - Medicaid and CHIP are always open for enrollment
 - Marketplace open enrollment for 2016 coverage is November 1, 2015 – January 31, 2016
 - After January 31, a person can only purchase private health insurance in certain circumstances, such as:
 - Getting married
 - Having a baby
 - Losing other insurance coverage
 - Moving

General

- IRS – ACA Landing Page www.irs.gov/aca
- Publication 4491 <https://www.irs.gov/pub/irs-pdf/p4491.pdf>
- Healthcare.gov www.healthcare.gov

MEC & 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/exemptions-from-the-fee/>

Shared Responsibility

- IRS – Shared Responsibility Resources
<http://www.irs.gov/uac/Individual-Shared-Responsibility-Provision>
- Taxpayer Advocate Service – Shared Responsibility Payment Tool
<http://www.taxpayeradvocate.irs.gov/get-help/aca-isrp?taxissue=112>

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For more information and resources, please visit:

www.healthreformbeyondthebasics.org/for-tax-preparers

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