Part IV:

Exemptions and Penalties

Center on Budget and Policy Priorities

October 6, 2016
Shared Responsibility Payment
(or Why Exemptions are Important)
Individual Shared Responsibility Payment

- Everyone in a household must have minimum essential coverage or an exemption from the coverage requirement.
- If they do not, they owe an individual shared responsibility payment, or penalty, for every month they are uninsured.
- The ISRP amount for 2017 hasn’t been announced yet.
Calculating the Penalty: Filing Single (2016)

- $0 to $10,350: no penalty
- $10,350 to $38,250: $695 penalty
- $38,250 to $100,000: 2.5% of income penalty
- Above $100,000: $200 flat fee

Income thresholds are updated each year.
**Example: John**

Calculating the Penalty

- Income: $17,000
- Filing Status: Single
- Adults: 1
- Children: 0
- Months uninsured: 12
- Tax filing threshold in 2016: $10,350

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. $17,000 - $10,350</td>
<td>$6,650</td>
</tr>
<tr>
<td>$6,650 x 2.5%</td>
<td>$164</td>
</tr>
<tr>
<td>2. $695 x 1 adult</td>
<td>$695</td>
</tr>
</tbody>
</table>

**Note:** In tax year 2014, John would have paid only $95. If everything remains the same, in 2016 he would pay $695.
Example: John

Calculating the Penalty

1. Income: $17,000
2. Filing Status: Single
3. Adults: 1
4. Children: 0
5. Months uninsured: 7
6. Tax filing threshold in 2016: $10,350

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17,000 - $10,350 = $6,650</td>
<td>$6,650</td>
</tr>
<tr>
<td>$6,650 x 2.5% = $164/12 = $14</td>
<td>$58</td>
</tr>
<tr>
<td>$58 x 7 = $406</td>
<td>John’s penalty for 2016</td>
</tr>
<tr>
<td>$695 x 1 adult =</td>
<td>$695/12 = $58</td>
</tr>
</tbody>
</table>
Calculating the Penalty

- Income: $39,500
- Filing Status: Married Filing Jointly
- Adults: 2 (both uninsured)
- Children: 2 (both uninsured)
- Months uninsured: 12
- Tax filing threshold in 2016: $20,700

1. $39,500 - $20,700 = $18,800
   \[x \text{2.5\%} \]
   $470

2. $695 \times 2 \text{ adult} + $347.50 \times 2 \text{ children} = $2,085

Ruiz family’s penalty for 2016
Example: Ruiz Family

Calculating the Penalty

- Income: $39,500
- Filing Status: Married Filing Jointly
- Adults: 2 (one insured)
- Children: 2 (both insured)
- Months uninsured for one adult: 12
- Tax filing threshold in 2016: $20,700

1. $39,500 - $20,700 = $18,800
   
   x 2.5%
   
   $470

2. $695 x 1 adult = $695
   
   Ruiz family’s penalty for 2016
Exemptions
Exemptions from the Shared Responsibility Payment

Two Types of Exemptions

Claim exemptions at tax filing on Form 8965

Exemptions Granted by the Marketplace:

• Part I of Form 8965
• Must apply for the exemption through the Marketplace (if granted exemption, will receive an exemption certificate number)
• Need supporting documentation
• Takes time to 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

<table>
<thead>
<tr>
<th>Exemptions Granted by the IRS</th>
<th>Exemptions Granted by the Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Insurance is considered unaffordable (cost is more than 8.16% of <em>actual</em> household income for 2017)</td>
<td>➢ Insurance is considered unaffordable (cost is more than 8.16% of <em>projected</em> household income for 2017)</td>
</tr>
<tr>
<td>➢ Short coverage gap (less than 3 months)</td>
<td>➢ Religious conscience</td>
</tr>
<tr>
<td>➢ Citizens living abroad</td>
<td>➢ Hardship (financial/domestic circumstances)</td>
</tr>
<tr>
<td>➢ Certain noncitizens</td>
<td>+ Homelessness</td>
</tr>
<tr>
<td>➢ Members of health care sharing ministry</td>
<td>+ Eviction in the last 6 months or facing eviction/foreclosure</td>
</tr>
<tr>
<td>➢ Members of an Indian tribe or eligible for services through an Indian health care provider or the Indian Health Service</td>
<td>+ Utility shut-off notice</td>
</tr>
<tr>
<td>➢ Incarceration</td>
<td>+ Domestic violence</td>
</tr>
<tr>
<td>➢ Resident of a state that did not expand Medicaid</td>
<td>+ Recent death of a close family member</td>
</tr>
<tr>
<td>➢ Member of the tax household born, adopted or died</td>
<td>+ Disaster that resulted in significant property damage</td>
</tr>
<tr>
<td>➢ Household income or gross income is below tax filing threshold</td>
<td>+ Bankruptcy in the last 6 months</td>
</tr>
<tr>
<td></td>
<td>+ Debt from medical expenses in the last 24 months</td>
</tr>
<tr>
<td></td>
<td>+ High expenses caring for ill, disabled or aging relative</td>
</tr>
<tr>
<td></td>
<td>+ Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP</td>
</tr>
<tr>
<td></td>
<td>+ Through an appeals process, determined eligible for a Marketplace plan or lower costs, but was not enrolled</td>
</tr>
<tr>
<td></td>
<td>+ Determined ineligible for Medicaid because the state did not expand</td>
</tr>
<tr>
<td></td>
<td>+ Individual health insurance plan was cancelled and you believe Marketplace plans are unaffordable</td>
</tr>
<tr>
<td></td>
<td>+ Other hardship in obtaining coverage</td>
</tr>
</tbody>
</table>
Application Forms:

- **Hardship Exemption:**
  marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf (all states except CT)

- **Affordability Exemption:**

- **Connecticut application:**

For all Marketplace Exemption Applications:
Why Apply for a Marketplace Exemption?

Example: David

- David lives in Texas, a non-expansion state.
- He lost his job in December 2015 and asks about enrolling in health coverage in January 2016
- He doesn’t qualify for unemployment benefits and has no income right now
- He feels really uncomfortable guessing about his income for 2016 because he really doesn’t know
- He decides to wait and get insurance later
- An assister tells him about the exemptions that he appears eligible for to avoid penalty:
  - He is in the coverage gap
  - Based on his low projected income, insurance is likely unaffordable
Why Apply for a Marketplace Exemption?

Example: David

• In May, he gets a job and earns $2,100/month ($16,800 for the year)
• He still remains uninsured for the year
• At tax time for 2016, David doesn’t qualify for any IRS exemptions:
  ✗ His income is above the filing threshold
  ✗ Based on year-end income, insurance is affordable (even for the months he had no income!)
  ✗ His income is greater than 138% FPL ($16,243 for 2016 coverage year)
  ✗ No other exemption applies
• On his 2016 taxes, he will owe a $695 penalty.

Lesson: If a person qualifies for an exemption early in the year, claim it!

Reminder: 2015 FPL % are used to determine eligibility for 2016 coverage.
Some Exemptions Need to be Claimed Early

Assisters can be most helpful on exemptions that:

• Can be forfeited if the consumer’s situation changes over the course of the year (especially for people experiencing temporary job loss or reduced income)
  ✓ Medicaid coverage gap
  ✓ Affordability

• Are only claimed through the Marketplace
  ✓ Hardships
  ✓ Religious Conscience
### Medicaid Coverage Gap

**Ineligible for Medicaid based on state decision not to expand (i.e., in the “coverage gap”)**

- Exemption for people with income up to 138% FPL
- Applies even though people between 100 and 138% FPL may be eligible for PTCs

<table>
<thead>
<tr>
<th>Exemption is automatic if ALL are true:</th>
<th>Apply for an exemption if EITHER are true:</th>
</tr>
</thead>
</table>
| - Submitted an application via Healthcare.gov  
- Was determined/assessed to be ineligible for Medicaid due to the state’s decision not to expand  
- Has income under 100% FPL | - Has income between 100-138% FPL (and submitted an application via Healthcare.gov and was determined/assessed to be ineligible for Medicaid)  
- Received a determination directly from your state Medicaid office |

**Duration:**

Entire year

**When to Apply:**

Apply for Medicaid at any time
Example: Medicaid Coverage Gap Exemption

Jane

• Jane is unemployed until she gets a job that offers ESI
• Monthly income (May–Dec): $2,200 (224% FPL)
• Annual Income: $17,600 (150% FPL)
• Residence: Texas

Scenario: Jane applies for coverage through the Marketplace in 2016

Jane applies for coverage and is denied because she is in the “coverage gap”

MARKETPLACE EXEMPTION (2016 coverage year):

✓ Automatically receives exemption for the year because she applied for Medicaid and received a denial.

IRS EXEMPTION (2016 coverage year):

✗ Can’t claim Code G exemption on her tax return because her income is over 138% FPL
Example: Medicaid Coverage Gap Exemption

Jane
- Jane is unemployed until she gets a job that offers ESI
- Monthly income (May–Dec): $2,200 (224% FPL)
- Annual Income: $17,600 (150% FPL)
- Residence: Texas

Scenario: Jane does not apply for coverage in 2016

Jane knew she was in the Medicaid “coverage gap” and did not apply for coverage

MARKETPLACE EXEMPTION (2016 coverage year):
- Not eligible for Marketplace exemption because she didn’t apply for Medicaid while uninsured

IRS EXEMPTION (2016 coverage year):
- Can’t claim Code G exemption on her tax return because her income is over 138% FPL

Reminder: 2015 FPL % are used to determine eligibility for 2016 coverage
The definition of affordability for marketplace enrollment is different from the definition of affordability for an exemption.

**Eligibility for APTC**

*despite an offer of employer-sponsored coverage*

- **9.69%** (for 2017)
  - Non-taxed social security included in household income
  - Determined based on cost of employee-only coverage (i.e., family glitch)

**Eligibility for Exemption**

*in the Marketplace or on the tax return*

- **8.16%** (for 2017)
  - Non-taxed social security is **NOT** included in household income
  - For family members, determined based on family cost

**Note:** For 2016 coverage year exemptions, the affordability threshold is **8.13%**
## Insurance is Unaffordable (2017 coverage year)

Lack of affordable coverage based on **projected** income (>8.16% of household income for 2017)

### What is considered unaffordable coverage?

<table>
<thead>
<tr>
<th>If eligible for an offer of ESI:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For the employee: the lowest cost self-only plan costs more than 8.16% of household income</td>
</tr>
<tr>
<td>• For members of the employee’s family: the lowest cost family plan costs more than 8.16% of household income.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If not eligible for an offer of ESI:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer’s family costs more than 8.16% of household income</td>
</tr>
</tbody>
</table>

### Duration

Future months in the year. To be exempt for the entire year, apply before the year starts.

**Special rule:** Applies regardless of change in circumstances

### When To Apply?

Apply during open enrollment or during a special enrollment period

---

**Note:** For 2016 coverage year exemptions, the affordability threshold is **8.13%**
Example: Affordability Exemption

Teresa, Antonio, Gaby and Michael
- Teresa’s employer offers ESI for herself and her children
- She is still in her employer’s open enrollment period and visits an assister to learn if the marketplace has better options.
- You interview Teresa to determine her eligibility for marketplace coverage.

Projected household income: $47,700
Employee-only premium: $196/month (4.9% of income)
Employee + children premium: $392/month (9.9% of income)
No spousal coverage is offered

ELIGIBILITY DETERMINATION NOTICE
- Teresa is not eligible for PTC
- The children are not eligible for Medicaid, CHIP or PTC
- Antonio is eligible for PTC

Teresa is frustrated that she can’t enroll her family in a single plan. She asks:
What happens if we don’t enroll?
Summary of Household Income and Plan Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household income:</td>
<td>$47,700</td>
</tr>
<tr>
<td>Employee-only premium cost:</td>
<td>$196/month</td>
</tr>
<tr>
<td>Employee + children premium cost:</td>
<td>$392/month</td>
</tr>
<tr>
<td>Spousal coverage:</td>
<td>None</td>
</tr>
</tbody>
</table>

Is Teresa eligible for an exemption based on affordability?

Does the lowest-cost plan that covers only the employee cost more than 8.16% of household income?

- No, the lowest cost employee-only plan is 4.9% of income
- The plan is considered affordable

x Not eligible for exemption based on affordability
### Summary of Household Income and Plan Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household income</td>
<td>$47,700</td>
</tr>
<tr>
<td>Employee-only premium cost</td>
<td>$196/month</td>
</tr>
<tr>
<td>Employee + children premium cost</td>
<td>$392/month</td>
</tr>
<tr>
<td>Spousal coverage</td>
<td>None</td>
</tr>
</tbody>
</table>

---

**Are Gaby and Michael eligible for an exemption based on affordability?**

Does the lowest-cost plan that covers Gaby and Michael cost more than 8.16% of household income?

- Yes, the lowest cost plan that covers the children is 9.9% of income
- It is considered unaffordable

**✓ Eligible for exemptions based on affordability**

**What about Medicaid or CHIP?**

The children’s eligibility for Medicaid or CHIP is not taken into account in awarding this exemption.
Summary of Household Income and Plan Costs

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Household income:</td>
<td>$47,700</td>
</tr>
<tr>
<td>Employee-only premium cost:</td>
<td>$196/month</td>
</tr>
<tr>
<td>Employee + children premium cost:</td>
<td>$392/month</td>
</tr>
<tr>
<td>Spousal coverage:</td>
<td>None</td>
</tr>
</tbody>
</table>

Is Antonio eligible for an exemption based on affordability?

Does the lowest-cost bronze plan covering only Antonio in the Marketplace, after accounting for PTCs, cost more than 8.16% of household income?

- The lowest cost bronze plan available to him is $2,000 (4% of household income) after taking into account PTCs
- The plan is considered affordable

x Not eligible for exemption based on affordability
## Marketplace Exemptions: Hardship

<table>
<thead>
<tr>
<th>Experienced a Hardship</th>
<th>Duration:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Homelessness</td>
<td>At least one month before and after hardship</td>
</tr>
<tr>
<td>2. Eviction in the last 6 months or facing eviction or foreclosure</td>
<td></td>
</tr>
<tr>
<td>3. Utility shut-off notice</td>
<td></td>
</tr>
<tr>
<td>4. Domestic violence</td>
<td></td>
</tr>
<tr>
<td>5. Recent death of a close family member</td>
<td></td>
</tr>
<tr>
<td>6. Disaster that resulted in significant property damage</td>
<td></td>
</tr>
<tr>
<td>7. Bankruptcy in the last 6 months</td>
<td></td>
</tr>
<tr>
<td>8. Debt from medical expenses in the last 24 months</td>
<td></td>
</tr>
<tr>
<td>9. High expenses caring for ill, disabled or aging relative</td>
<td></td>
</tr>
<tr>
<td>10. Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP</td>
<td></td>
</tr>
<tr>
<td>11. Through an appeals process, determined eligible for a Marketplace plan or lower costs, but was not enrolled</td>
<td></td>
</tr>
<tr>
<td>12. Determined ineligible for Medicaid because the state did not expand</td>
<td></td>
</tr>
<tr>
<td>13. Individual health insurance plan was cancelled and you believe Marketplace plans are unaffordable</td>
<td></td>
</tr>
<tr>
<td>14. Other hardship in obtaining coverage (including for people with limited Medicaid coverage)</td>
<td></td>
</tr>
</tbody>
</table>

### When to Apply:
Up to 3 years after the month of the hardship (but documentation is required in most circumstances so earlier is better)
Example: Hardship Exemption

Doug

• Doug had a difficult winter. After failing to pay his electric bill for three months, he received a notice in February that his electricity would be turned off.

• He scrambled to pay the bill and neglected other bills, including his insurance premium. After three months of non-payment his coverage was terminated retroactively.

• Doug can use the utility shut-off notice to apply for a hardship exemption for the time he went without coverage.

• The Marketplace will determine the exact length of the exemption.
An Assister’s Role in Obtaining Exemptions

For a client that doesn’t enroll in coverage, ask:

*What can I do today to secure an exemption for this person?*

- **The marketplace affordability exemption** is useful when:
  - Members of the household are subject to the family glitch
  - Applicant’s self-only ESI is at least 8.16% of income but less than 9.69% (2017 coverage year)
  - Applicant’s self-only ESI appears affordable because of the addition of non-taxed Social Security benefits
  - Applicant is between jobs and has difficulty predicting annual income
  - A person wants to enroll in catastrophic coverage

- **The Medicaid coverage gap exemption** is useful when:
  - A person is in the coverage gap, especially if their income may change during the year

*Note: For 2016 coverage year exemptions, the affordability threshold is **8.13%***
Approaching Exemptions

At the time of application, consider eligibility for exemptions that may be forfeited if circumstances change:

- Medicaid coverage gap exemption
- Affordability exemption

### Exemption Type (available on the tax return) | IRS Code
---|---
Income below the filing threshold | No Code
Insurance is considered unaffordable | Code A
Short coverage gap (*uninsured for less than 3 consecutive months*) | Code B
Certain noncitizens and citizens living abroad | Code C
Health care sharing ministry | Code D
Federally-recognized Indian tribe or eligible for IHS | Code E
Incarceration | Code F
Aggregate self-only coverage is considered unaffordable | Code G
Individuals in a state that did not expand Medicaid | Code G
Months before birth/adoption or after death | Code H

NEXT STEP

Does any individual qualify for an exemption available on the tax return?

NEXT STEP

Does anyone qualify for a hardship exemption granted by the Marketplace?
Exemption available directly on the tax return for:

- Household income below filing threshold
  - Does not include untaxed Social Security benefits
- Gross income is below the filing threshold
  - Does not include MAGI of a dependent with a filing requirement
- Covers the entire household for the entire year

<table>
<thead>
<tr>
<th>Tax Filing Status (under age 65)</th>
<th>Tax Filing Threshold (2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$10,350</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$13,350</td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td>$20,700</td>
</tr>
<tr>
<td>Married Filing Separately</td>
<td>$4,050</td>
</tr>
<tr>
<td>Qualifying Widow(er) w/ Dependent Child</td>
<td>$16,650</td>
</tr>
</tbody>
</table>
Example: Income Below Filing Threshold

Gloria

- Gloria works several odd jobs over the year and makes $12,000.
- She and her children remained uninsured all year.
- She wants to file a tax return in order to receive a tax refund (from her withholding and to claim the EITC), but doesn’t want to pay a penalty for remaining uninsured for the year.

Do they qualify for an exemption?

✓ YES. Because her income is below the filing threshold (she files as Head of Household), she can check a box on her tax return to claim this exemption for the entire year for her entire family.

  • **Note:** If she does not file a tax return, she is automatically exempt since she earned less than the filing threshold. There is no need to file a tax return just to claim this exemption.
Short coverage gap

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.

→ 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 1:* 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.

---

NOTE: There is a look-back but no look-forward. Consecutive uninsured months at the end of 2015 count toward a gap at the start of 2016; uninsured months in 2017 do not.

- *Example 2:* If Bob is uninsured Dec 2015, Jan and Feb 2016, he doesn’t qualify for this exemption because the gap is not less than 3 months

- *Example 3:* If Bob is uninsured starting in December 2016 and is still uninsured when he is filing his taxes in March 2017, he can claim this exemption for December
Example: Short Coverage Gap

John

- John is uninsured
- He gets a new job in March
- His ESI begins April 1

Is John eligible for this exemption?

[Diagram showing timeline with Uninsured and Insured periods]

X NO, ineligible for an exemption based on a short coverage gap because the gap is not less than three full calendar months
YES, eligible for an exemption based on a short coverage gap because the gap is less than three full calendar months (Jan – Feb)

But what if...

- John’s new job offers ESI that begins March 15

Is John eligible for this exemption?

March 15: ESI begins

- YES, eligible for an exemption based on a short coverage gap because the gap is less than three full calendar months (Jan – Feb)
Resident of a state that did not expand Medicaid (Code G)

- Individuals who resided at any time during 2016 in a state that did not expand Medicaid, and
- Had modified adjusted gross income (MAGI) below 138% FPL

**Household Income (MAGI)**

**Adjusted Gross Income (AGI)**
- Line 37
- IRS Form 1040

**Non-taxable Social Security Benefits**
- Line 20a minus 20b
- IRS Form 1040

**Tax-Exempt Interest**
- Line 8b
- IRS Form 1040

**Excluded Foreign Income**
- Lines 45 and 50
- IRS Form 2555

<table>
<thead>
<tr>
<th>Family Size</th>
<th>138% FPL (2016 coverage year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,243</td>
</tr>
<tr>
<td>2</td>
<td>$21,983</td>
</tr>
<tr>
<td>3</td>
<td>$27,724</td>
</tr>
<tr>
<td>4</td>
<td>$33,456</td>
</tr>
</tbody>
</table>

Applies to people who lived at any time in 2016 in one of the following states:

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

Reminder: 2015 FPL % are used to determine eligibility for 2016 coverage.
Example: Medicaid Coverage Gap Exemption

Rashid, Miriam and Leila

- Rashid was uninsured for all of 2016
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by CHIP
- Household income for 2016: $25,000 (124% FPL)
- They live in Texas

Does Rashid qualify for an exemption?

- YES, Rashid’s household income is below 138% FPL and in 2016, 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
Example: Medicaid Coverage Gap Exemption

But what if...

- Rashid, Miriam and Leila moved to Oregon (a Medicaid expansion state) midway through 2016

Does Rashid qualify for an exemption?

✓ YES, Rashid’s household income is still below 138% FPL and because he lived in a non-expansion state at some point in 2016, he is still eligible for this exemption

- Rashid qualifies for this exemption even if he enrolled in Medicaid once he moved to Oregon
### Citizens living abroad and certain noncitizens

| Code C |

**Applies to:**

- Individuals who are not U.S. citizens, nationals or lawfully present (e.g., undocumented immigrants)
- Some other citizens living outside of the U.S., residents of territories, and 1040NR (or 1040NR-EZ) filers
- Anyone who does **not** have an eligible immigration status as defined by the ACA (all eligible statuses listed here: [www.healthcare.gov/immigrants/immigration-status](http://www.healthcare.gov/immigrants/immigration-status))
Example: Certain Noncitizens

Fatima, Nadif and Amina

- Fatima is a Deferred Action for Childhood Arrivals (DACA) grantee (“Dreamer”)
- Her husband and daughter are U.S. citizens

Is Fatima eligible for an exemption?

☑ YES, she will use exemption code C on Form 8965 at tax time

<table>
<thead>
<tr>
<th>Name of Individual</th>
<th>SSN</th>
<th>Exemption Type</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatima Diallo</td>
<td>990-71-1111</td>
<td>C</td>
<td>X</td>
</tr>
</tbody>
</table>
## IRS Exemptions: Affordability

### Insurance is Unaffordable (2016 coverage year) *(Code A or G)*

- Lowest-cost premium available would have cost more than 8.13% of household income
- Additional exemption available when two family members are eligible for employer-sponsored insurance, if the combined cost of coverage is greater than 8.13% of income

### Which offer of insurance is measured?

#### If eligible for an offer of employer-sponsored insurance (ESI):

- **As an employee:** the lowest cost self-only plan costs more than 8.13% of household income *(Code A)*
- **As a member of the employee’s family:** the lowest cost family plan costs more than 8.13% of household income *(Code A)*
- **Two people in the family are eligible for ESI:** if both self-only plans are affordable (and no family coverage is affordable) and the combined cost of self-only coverage is more than 8.13% of household income *(Code G)*

#### If not eligible for an offer of ESI:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer’s family costs more than 8.13% of household income

---

*Note: For 2017 coverage year exemptions, the affordability threshold is 8.16%*
Example: Aggregate Cost of ESI

Jay and Priya

- Jay and Priya each have offers of self-only ESI from their employers but no affordable offer of family coverage
- Household Income: $45,000
- Premium cost for Jay: $2,400/year
- Premium cost for Priya: $2,100/year
- Aggregate cost: $4,500/year

Are Jay and Priya eligible for an exemption?

✓ YES, eligible for an exemption based on affordability because the aggregate cost of the two offers of ESI is more than 8.13% of income
**Incarceration** *(Code F)*

- Can be claimed for months someone on the tax return was incarcerated for at least one day of the month
- Incarceration is prison or jail
  - Does not include time in jail pending disposition of charges (i.e., held but not convicted)
  - Does not include probation, parole or home confinement

**Member of an Indian tribe** *(Code E)*

- Members of federally-recognized Indian tribe
- American Indian, Alaska Native, or spouse or dependent of those who are eligible for services from an Indian health care provider or through the Indian Health Service (IHS)
Resources

Penalty Calculator from Taxpayer Advocate Service:
www.taxpayeradvocate.irs.gov/estimator/isrp

Exemption Forms:
• All application forms from the Marketplace: marketplace.cms.gov/applications-and-forms/exemption-applications.html


Contact Info

• Tara Straw, tstraw@cbpp.org
• Halley Cloud, cloud@cbpp.org
• General inquiries: beyondthebasics@cbpp.org

For more information and resources, please visit:

www.healthreformbeyondthebasics.org

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