

# **VITA/TCE Basic Certification Topics on Affordable Care Act**

Current as of November 15, 2018

# **The Individual Mandate Penalty Was Repealed**

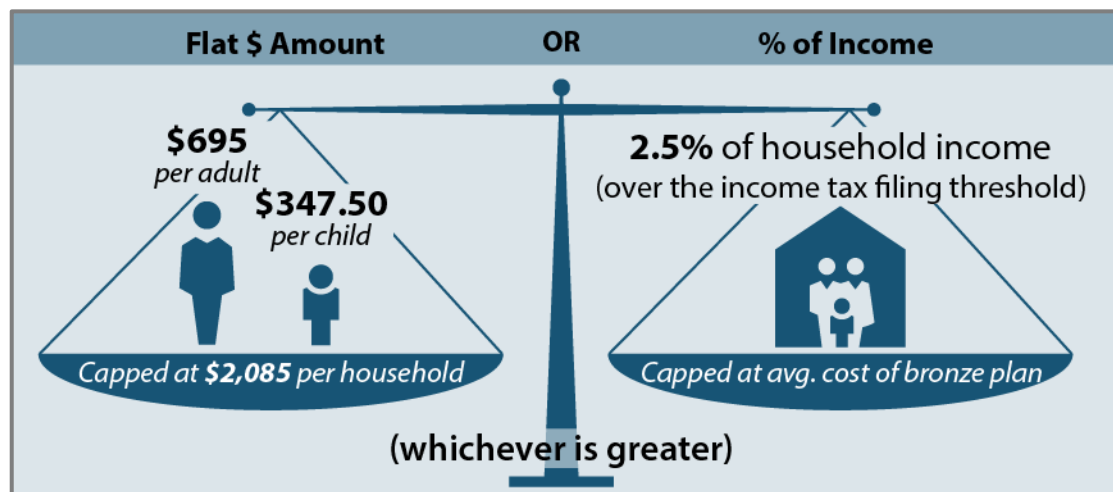
**Everyone is Exempt**

**Not Quite**



# Shared Responsibility Payment (SRP)

- For 2018, everyone in a household must:
  - Have minimum essential coverage, or
  - Claim an exemption from the coverage requirement, or
  - Make a shared responsibility payment (penalty)
- IRS will not accept electronic returns that omit health coverage information.



## What's the same?

- Still a requirement to have coverage or an exemption or pay a penalty (for tax year 2018)
- Penalty amount is the same as last year
- Exemptions are (mostly) the same
- Premium tax credit is still available

## What's new?

- The coverage question is expanded to 'covered or exempt' and is now on Form 1040, page 1
- Fewer people are required to file Form 8965
- Taxpayers can claim hardship exemptions on the tax return instead of applying to the marketplace
- A few general hardships have been added



# Most people will check a box on Form 1040, page 1

5

- The check box for full-year coverage is now on page 1.
  - It's now also used to indicate full-year exemption eligibility

<b>Form 1040</b> Department of the Treasury—Internal Revenue Service (99)		<b>2018</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
Filing status: <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)				
Your first name and initial		Last name		Your social security number
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind				
If joint return, spouse's first name and initial		Last name		Spouse's social security number
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954				<input type="checkbox"/> Full-year health care coverage or exempt (see inst.)
<input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien				

- Check the box on 1040, page 1 if:
  - Everyone on the return is covered, or
  - Everyone on the return is exempt using one or more exemptions, or
  - Any combination of covered/exempt for everyone on the return
- Only complete Form 8965 if:
  - There is a mixture of exemption and uninsured (penalty) months

# New General Hardship Exemptions\* (Code G)

## *Did any of the following hardships prevent you from obtaining coverage?*

### **Financial Hardship**

- You were homeless
- You were evicted or face eviction or foreclosure
- You received a utility shut-off notice
- You filed for bankruptcy
- You had medical debt in the last 24 months
- You had unexpected increases in expenses caring for ill, disabled or aging relative
- You were determined ineligible for Medicaid in a state that did not expand Medicaid coverage
- You were without coverage while awaiting a decision on a marketplace appeal

### **Plan Choice Hardship**

- You lived in a county with only one issuer offering coverage and can show that the lack of choice precluded enrollment\*\*

- All affordable plans provide abortion coverage contrary to your beliefs\*\*
- You experienced a personal circumstance that created a hardship, such as when no affordable plans provide access to needed specialty care\*\*

### **Personal Hardship**

- You experienced a disaster that resulted in significant property damage
- You experienced domestic violence
- A close family member died
- Your child was denied Medicaid or CHIP and another person is required by court order to provide coverage for the child
- You experienced another hardship that prevented you from obtaining coverage

\*Most of these exemptions were formerly claimed by submitting a marketplace application. The exemption is valid for the month(s) of the hardship and the month before and after.

\*\*New hardships

# Coverage & Exemptions

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# What is “Health Care Coverage”?

## Minimum Essential Coverage

**\*\*One day of coverage = a covered month\*\***

### Employer-Sponsored Coverage

- Group coverage
- COBRA coverage
- Retiree coverage

### Individual Market Coverage

- Purchased through the Marketplace, an insurance company, or as a student health plan

### Government-Sponsored Programs

- Medicare
- Most Medicaid
- CHIP
- Most TRICARE
- DoD Nonappropriated Fund Health Benefits Program
- Peace Corps coverage

### Certain Other Coverage

## Health Insurance Questionnaire

Did you or your family have health insurance at any time in 2018?

- ☒ Yes
- ☐ No

## Months Insured

Was your entire household insured for all 12 months of 2018? \*

- ☐ Yes
- ☒ No

Please enter the number of months insured for each household member.

Name	Months Insured
SUMMER MCGRAW	<div>6</div> <div>12</div>

## Months Insured - SUMMER MCGRAW

Specify the 6 months that SUMMER MCGRAW had minimum essential coverage

- ☒ January
- ☒ February
- ☒ March
- ☒ April
- ☒ May
- ☐ July
- ☐ August
- ☐ October
- ☐ November

## Household Income

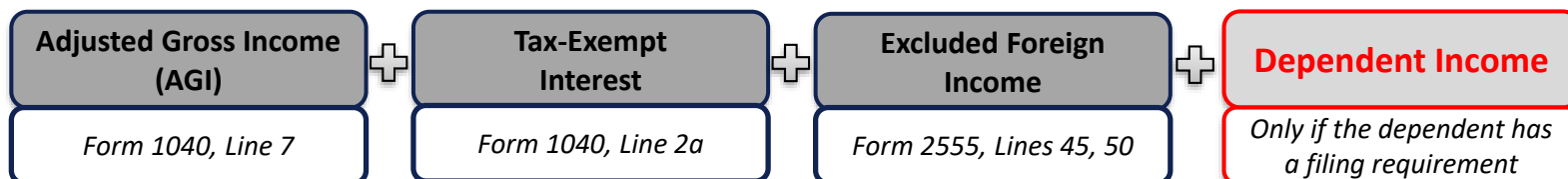
Enter any premium amount paid through a salary reduction agreement that is excluded from gross income. (Note: This entry is included in the Affordability Threshold when determining affordability if applicable. This information is unnecessary if you will not be completing the affordability worksheets.)

\$|

# Income Below Filing Threshold

- TaxSlayer will automatically calculate this exemption
- Since this exemption covers the whole household, it will appear on the first page of Form 1040 and there will be no Form 8965.

## Household income for Filing Threshold Exemption and SRP



## Gross income for Filing Threshold Exemption

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

# TaxSlayer Calculates the Filing Threshold Exemption

## Health Care Exemptions



You qualify for the coverage exemption for Household or Gross Income below the Filing Threshold. Please select continue and we will apply the coverage exemption to the return.

BACK

CONTINUE

- If the household doesn't qualify for the exemption, you'll be asked whether the household qualifies for an exemption "due to circumstances."
  - Answer Yes to enter any exemption (including affordability)
  - Answer No to get the affordability exemption question



You do not qualify for the exemption based on Household or Gross Income below Filing Threshold, but if you or another household member received a Marketplace Issued Exemption Certificate or qualify for a coverage exemption, please refer to the question below.

Did you qualify for an exemption due to circumstances or receive an exemption certificate from the marketplace?

- ☐ Yes  
☒ No

Would you like to determine if you qualify for an exemption due to unaffordable premiums?

- ☐ Yes  
☐ No

## Health Care Exemption

Name of Individual \*

SUMMER MCGRAW ▾

Do you have a marketplace-issued certificate for this exemption or going to apply for an exemption from the marketplace? \*

☐ Yes

☒ No

Exemption Type on the return

-- Please Select -- ▾

Indicate full year or specify months for which you qualify to take the exemption. (Note: Selecting "Coverage is Unaffordable" above will prompt the Affordability Worksheet when continuing)

☐ Full Year

☐ January

☐ February

☐ March

☐ April

☐ May

☐ June

☐ July

☐ August

☐ September

☐ October

☐ November

☐ December

BACK

CONTINUE

# Full Exemption List

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



## *Did any of the following hardships prevent you from obtaining coverage?*

### **Financial Hardship**

- You were homeless
- You were evicted or face eviction or foreclosure
- You received a utility shut-off notice
- You filed for bankruptcy
- You had medical debt in the last 24 months
- You had unexpected increases in expenses caring for ill, disabled or aging relative
- You were determined ineligible for Medicaid in a state that did not expand Medicaid coverage
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- All affordable plans provide abortion coverage contrary to your beliefs\*\*
- You experienced a personal circumstance that created a hardship, such as when no affordable plans provide access to needed specialty care\*\*

### **Personal Hardship**

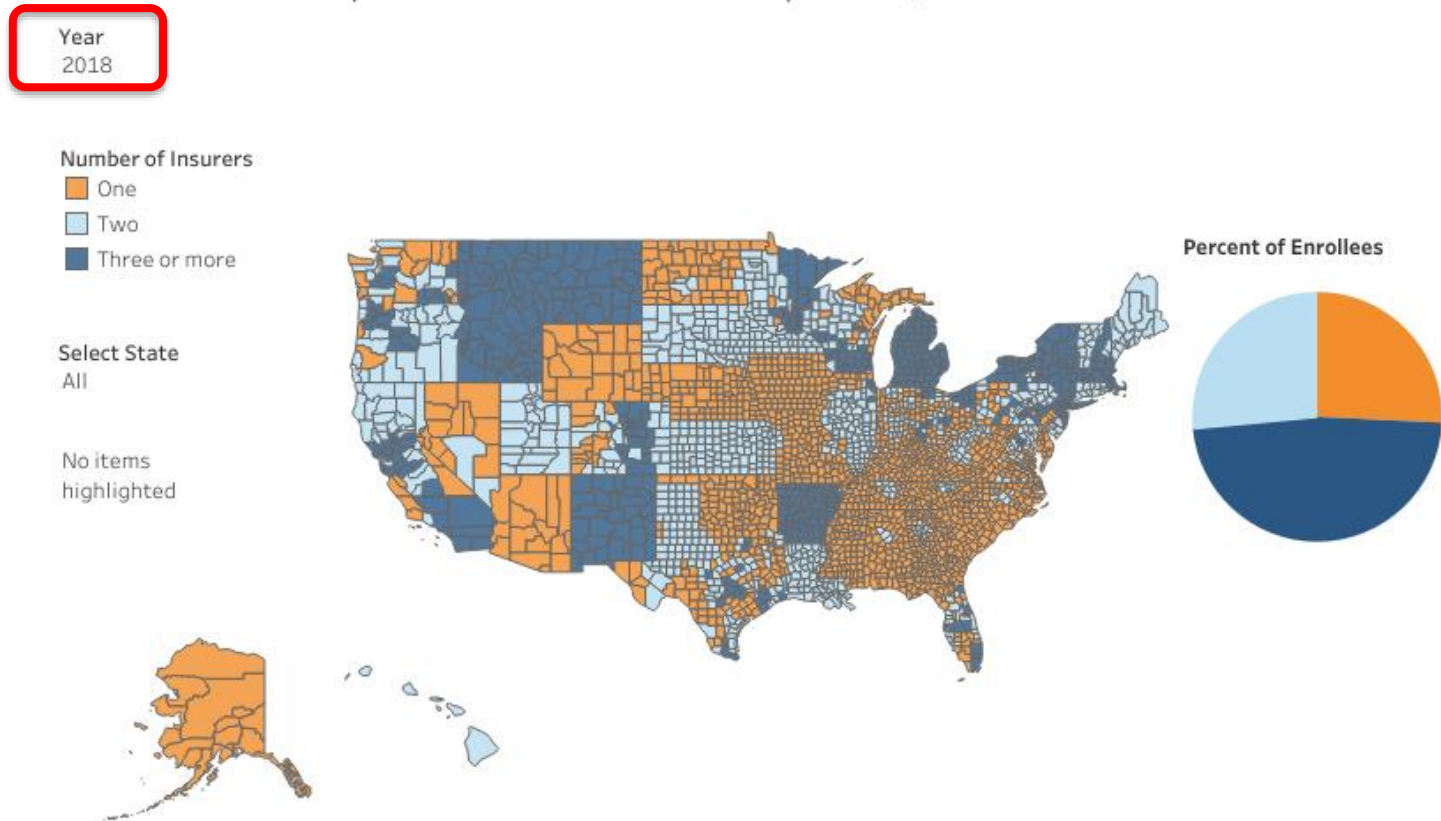
- You experienced a disaster that resulted in significant property damage
- You experienced domestic violence
- A close family member died
- Your child was denied Medicaid or CHIP and another person is required by court order to provide coverage for the child
- You experienced another hardship that prevented you from obtaining coverage

\*Most of these exemptions were formerly claimed by submitting a marketplace application. The exemption is valid for the month(s) of the hardship and the month before and after.

\*\*New hardships

Burden of proof: No specific proof is needed but it's always advisable to keep something in the taxpayer's record

## Insurer Participation on ACA Marketplaces, 2014-2019



<https://www.kff.org/health-reform/issue-brief/insurer-participation-on-aca-marketplaces-2014-2019/>



# IRS Exemptions: Short Coverage Gap

## Short coverage gap – Uninsured for less than 3 consecutive months

**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. Apply to the first gap in coverage.  
*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.
- **Months covered by another exemption are treated like months with coverage.**  
*Example:* Bob has coverage January to March, is uninsured in April and May, and is eligible for the affordability exemption June to December. Even though Bob was uninsured April to December, he is eligible for a short gap exemption for April and May.
- **There is a look-back.** Consecutive uninsured months at the end of 2017 count toward a gap at the start of 2018; uninsured months in 2019 do not.  
*Example:* If Bob is uninsured Dec 2017, Jan and Feb 2018, he doesn't qualify for this exemption in 2018 because the gap is not less than 3 months.

# IRS Exemptions: Certain Noncitizens

**Citizens living abroad and certain noncitizens** – Includes people who are not lawfully present

**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?***

- Consult the list of immigration statuses that qualify a person for help with health costs. If the person's status is not on this list, they are eligible for this exemption.
- <https://www.healthcare.gov/immigrants/immigration-status/>

## ***Does everyone with an ITIN get this exemption?***

- Many people with ITINs will be eligible for this exemption.
- Some people with SSNs are eligible, too.
  - **Example:** A lawful social security number but not an eligible immigration status. E.g., a person who is a Deferred Action for Childhood Arrivals (DACA) grantee ("Dreamer") can claim the exemption, despite having an SSN.

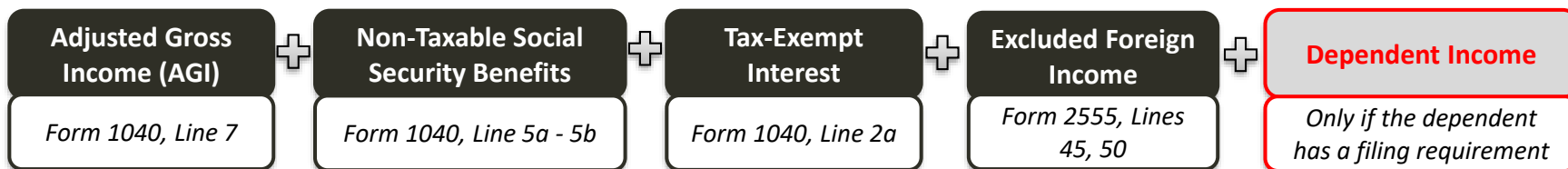


# IRS Exemptions: Medicaid Coverage Gap

## Resident of a state that did not expand Medicaid

G

- Had household income below 138% FPL, *and*
- Resided at any time during 2018 in a state that did not expand Medicaid



Family Size	138% FPL (2018 coverage year)
1	\$16,643
2	\$22,411
3	\$28,180
4	\$33,948

Applies to people who lived at any time in 2018 in one of the following states:

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

# CBPP Tax Exemption Tool

- Calculates exemptions based on income
  - ✓ Filing threshold
  - ✓ Medicaid coverage gap
  - ✓ Employer-coverage affordability
  - ✓ Marketplace affordability
- Logic to prevent certain common errors
- TY2018 Beta Version launched 11/14. Feedback requested!

[www.healthreformbeyondthebasics.org/aca-exemptions-income-tool/](http://www.healthreformbeyondthebasics.org/aca-exemptions-income-tool/)

Household		
State	Select a state	
Filing status	Single	
Is the taxpayer or spouse age 65 or older?	No	
Total number of people in the tax household	1	
Income		
	On the tax return:	Dependent income (only if filing requirement)
Adjusted gross income (Form 1040 line 7)	\$	\$
Tax-exempt interest (Form 1040 line 2a)	\$	\$
Social Security income (Form 1040 line 5a)	\$	\$
Taxable Social Security (Form 1040 line 5b)	\$	\$
Foreign income (Form 2555 line 45 and 50)	\$	\$
Pre-tax deduction for employer-sponsored coverage	\$	\$
Subtotal		

## Example: Medicaid Coverage Gap Exemption

### Rashid, Miriam and Leila

- Rashid was uninsured for all of 2018
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by Medicaid
- Household income for 2018: \$25,000 (~122% FPL)
- They live in South Carolina (a state that did not expand Medicaid)



### Does Rashid qualify for an exemption?

- ✓ YES, Rashid's household income is below 138% FPL and in 2018, 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 SC for one month before moving to Maryland (a state that did expand Medicaid)

# Example: Medicaid Coverage Gap Exemption

## Rashid, Miriam, and Leila

- Rashid was uninsured for all of 2018
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by Medicaid
- Household income for 2018: \$25,000 (~~~122% FPL~~)
- They live in South Carolina (~~a state that did not expand Medicaid~~)



### Household

State

South Carolina

Filing status

Married, Filing Jointly

Is the taxpayer or spouse age 65 or older?

No

Total number of people in the tax household

3

### Income

Adjusted gross income  
(Form 1040 line 7)

\$

25,000

\$

On the tax return: Dependent income  
(only if filing requirement)

Tax-exempt interest  
(Form 1040 line 2a)

\$

\$

### Test for Exemption for Income Below Filing Threshold (Form 8965, Line 7)

\*Note: Also calculated in TaxSlayer. This tool does not consider gross income below filing threshold.

Taxpayer's filing threshold is...

\$24,000

Is income below the filing threshold?

No, exemption does not apply.  
Continue

### Test for Code G Exemption (Medicaid Coverage Gap)

138% of federal poverty line (FPL)

\$28,676

Household income

\$25,000

Is income less than 138% of FPL?

Yes, enter Code G.

# **Deep Dive: Affordability Exemption**

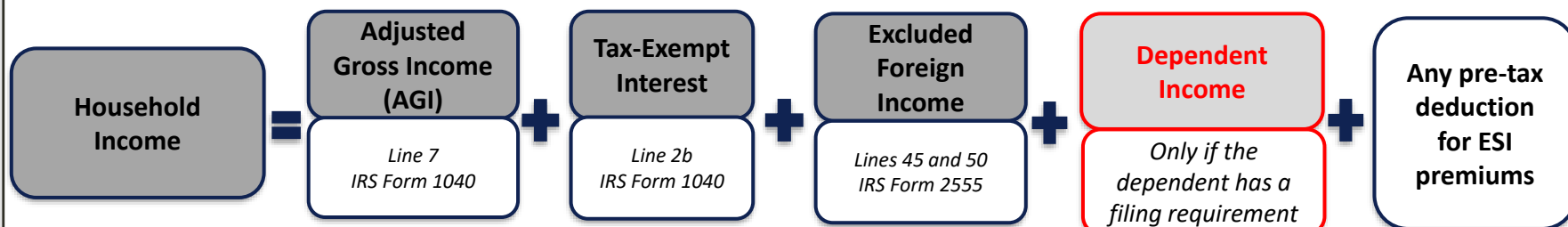
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# IRS Exemptions: Affordability Exemption

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

**A**

Start by determining household income



**If eligible for employer-sponsored insurance:**

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

**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



# Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (Zip: 73111)
- Both uninsured all year; no other exemption applies



## Gregory

W-2, Box 1: \$20,000

Self-only insurance offer: **\$50/mo**

Family insurance offer: **\$350/mo**

## Alice

W-2, Box 1: \$25,000

No insurance offered

**How is affordability measured?** *(Use the first that applies for each family member)*

- Lowest-cost self-only plan offered to the employee by his or her employer
- Lowest-cost family plan offered by the employer of a family member in the tax unit
- Lowest-cost bronze plan in the marketplace, after accounting for PTC



# Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (Zip: 73111)
- Both uninsured all year; no other exemption applies



## Gregory

W-2, Box 1: \$20,000  
Self-only insurance offer: \$50/mo  
Family insurance offer: \$350/mo

## Alice

W-2, Box 1: \$25,000  
No insurance offered



## Gregory

- His lowest-cost self-only employer plan is \$50/mo
- Annualized cost is \$600
- Compared to annual income of \$45,000
- $\$600 / \$45,000 = 1.3\%$  of household income

Gregory is not eligible for the affordability exemption because his plan costs less than 8.05% of household income.

# Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (Zip: 73111)
- Both uninsured all year; no other exemption applies



## Gregory

W-2, Box 1: \$20,000

Self-only insurance offer: \$50/mo

Family insurance offer: \$350/mo

## Alice

W-2, Box 1: \$25,000

No insurance offered



## Alice

- No offer of coverage through her own employer
- Her lowest-cost family plan through Gregory's employer is \$350/mo
- Annualized cost is \$4,200
- Compared to annual income of \$45,000
- $\$4,200 / \$45,000 = 9.33\%$  of household income

Alice is eligible for the affordability exemption because her offer of coverage costs more than 8.05% of income.

# Gregory & Alice

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (Zip: 73111)
- Both uninsured all year; no other exemption applies



## Household

State	Oklahoma
Filing status	Married, Filing Jointly
Is the taxpayer or spouse age 65 or older?	No
Total number of people in the tax household	2

## Income

	On the tax return:	Dependent income (only if filing requirement)
Adjusted gross income (Form 1040 line 7)	\$ 45,000	\$

### Test for Exemption for Income Below Filing Threshold (Form 8965, Line 7)

\*Note: Also calculated in TaxSlayer. This tool does not consider gross income below filing threshold.

Taxpayer's filing threshold is... \$24,000

Is income below the filing threshold? **No, exemption does not apply.**  
Continue

### Test for Code G Exemption (Medicaid Coverage Gap)

138% of federal poverty line (FPL) \$22,715

Household income \$45,000

Is income less than 138% of FPL? **No, Code G does not apply.**

# Gregory & Alice



## Test for Code A Exemption (Affordability)

8.05% of income

\$3,623

1. Does the taxpayer (or spouse) have an offer of self-only coverage from his or her own employer? If yes, determine the offer's affordability and STOP for this individual.

Yes

	Taxpayer	Spouse
Self-only premium (per month)	\$ 50	\$

Annual Cost \$600

Taxpayer's cost of self-only coverage is affordable. Code A does NOT apply.

2. Does anyone have an offer of family coverage from an employer? If yes, determine the offer's affordability and STOP for this individual.

Yes

	Taxpayer	Spouse
Family premium (per month)	\$ 350	\$

Annual Cost \$4,200

The taxpayer's family coverage offer is unaffordable. Code A applies to all family members on the tax return (except those with an affordable offer of self-only coverage).

## Results:

- **Gregory:** Code A does not apply
- **Alice:** Code A does apply
- Since Gregory and Alice each have an offer of employer-sponsored coverage, determine if it's affordable then STOP. Don't move on to marketplace affordability.

# "Annualized Contribution"

- Affordability is measured against annual income
- Since income is annualized, premiums must be, too

## Example:

Income = \$24,000

Premium = \$200/mo

## Is it affordable?

*Compare annualized premium to the annual income.*

January = \$2,400

February = \$2,400

## Affordability Worksheet - SUMMER MCGRAW

BACK

Enter the **ANNUALIZED** contribution amount this individual applies to the individual.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse's employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet. (\$0)

## SUMMER MCGRAW

January

\$

## Example 1: Affordability of ESI

- Gregory and Alice are MFJ.
- They lived in Oklahoma City, OK (Zip: 73111)
- Both uninsured all year; no other exemption applies



### Gregory

W-2, Box 1: \$20,000

Self-only insurance offer: **\$50/mo**

Family insurance offer: **\$350/mo**

### Alice

W-2, Box 1: \$25,000

Jan-June: No insurance offered

July-Dec: Alice enrolls in coverage at work



### What if Alice is uninsured only part of the year?

- No offer of coverage through her own employer for Jan-June.
- Her lowest-cost family plan through Gregory's employer is \$350/mo (\$4,200 annually)
- $\$4,200 / \$45,000 = 9.33\%$  of household income
- Look at the annual cost of coverage, even if you're just determining eligibility for a month.

Alice is eligible for the affordability exemption January through June because her offer of coverage costs more than 8.05% of income.

# Marketplace Affordability Exemption

## Do you qualify for Health Care Exemptions?



You only need to fill in these values if a household member was not eligible for employer-sponsored coverage for one or more months. These values will be used to compute your annualized required contribution from the Marketplace Coverage Affordability Worksheet.

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if health insurance was not offered through an employer, enter the premium values captured from the healthcare.gov tax tool that is made available to you. The link at the bottom of this page will assist you in determining the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, select continue below and enter the required information asked to further determine affordability.

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

\$

Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

\$|

[Click here](#) to obtain the LCBP and SLCSPP premium amounts to enter above.

[Click here](#) to determine if you can claim a health coverage exemption.

- If there is no employer coverage offer, consider the affordability of marketplace coverage.
- You'll need to determine:
  - The lowest-cost bronze plan (LCBP)
  - The second-lowest cost silver plan (SLCSP) *only if* eligible for PTC
- Find these values at:
  - For federal marketplace states: <https://www.healthcare.gov/tax-tool/>
  - For other states: State-based marketplaces



# Affordability: Marketplace Coverage

## Do you qualify for Health Care Exemptions?

To determine if you can claim the "Coverage is Unaffordable" exemption, you must enter the monthly premium amounts. If you already know this return would not qualify to claim the exemption, you can skip this question and continue through the Health Insurance menu.

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

\$|

Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

\$

### Lowest Cost Bronze Plan (LCBP)

(Line 1 of Marketplace Coverage Affordability Worksheet)

Include:

- Everyone claimed on the tax return
- Unless they are:
  - Eligible for employer-sponsored coverage, or
  - Eligible for another exemption.

**Note:** You'll include household members that have no coverage, Medicaid or Medicare coverage

### Second Lowest Cost Silver Plan (SLCSP)

(Line 10 of Marketplace Coverage Affordability Worksheet)

Include:

- Everyone claimed on the tax return
- Unless they are:
  - Eligible for any other MEC (other than individual market), or
  - Eligible for another exemption.

## Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21. (Employer paid entire cost – no pre-tax deduction.)
- Residence: 22204, Arlington, VA; DOB: 7/21/84
- W-2, Box 1 - \$17,500



**Step 1.** Figure out coverage vs exemption months.

*Covered: April-Dec*

*Needs exemption: Jan-Mar*

**Step 2.** Does an easy exemption apply?

~~Short coverage gap?~~

~~Income below filing threshold?~~

~~Medicaid coverage gap?~~

~~Hardship exemption?~~

**Step 3.** Consider the affordability exemption.

*First, did Max have an offer of employer-sponsored coverage?*

**No**

*Then, consider marketplace affordability exemption.*

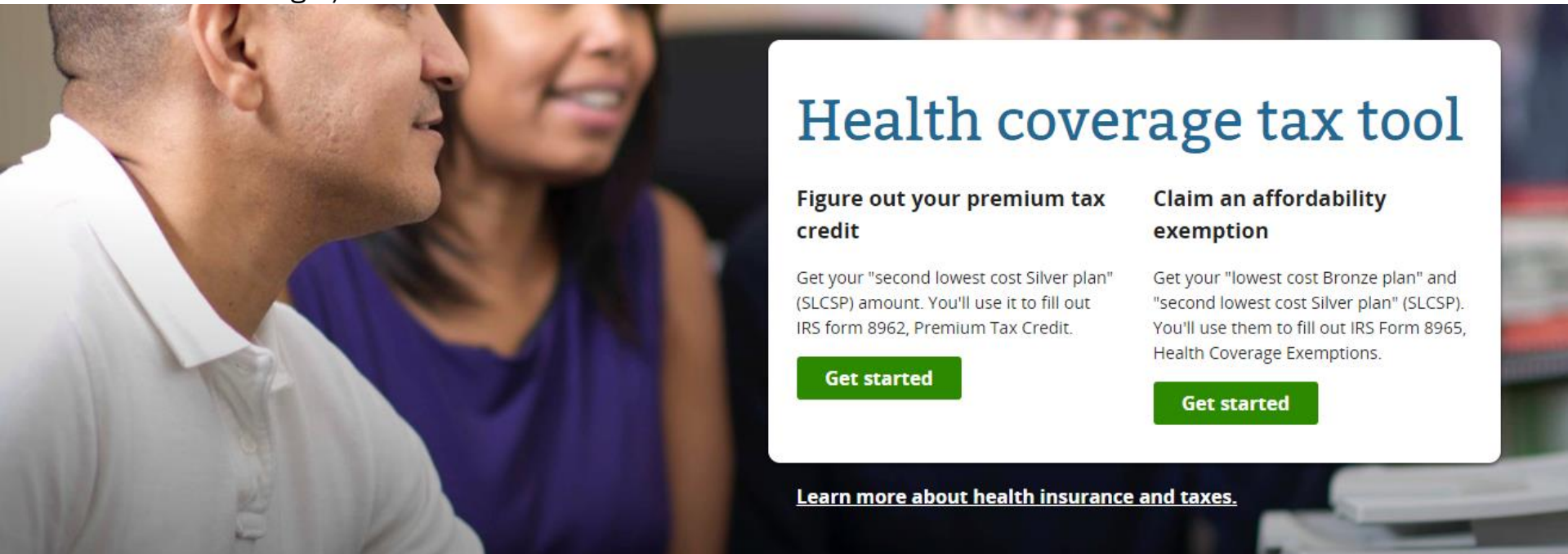


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- Residence: 22204, Arlington, VA; DOB: 7/21/84
- W-2, Box 1 - \$17,500



[www.healthcare.gov/Tax-Tool](http://www.healthcare.gov/Tax-Tool)



### Health coverage tax tool

<b>Figure out your premium tax credit</b>	<b>Claim an affordability exemption</b>
Get your "second lowest cost Silver plan" (SLCSP) amount. You'll use it to fill out IRS form 8962, Premium Tax Credit.	Get your "lowest cost Bronze plan" and "second lowest cost Silver plan" (SLCSP). You'll use them to fill out IRS Form 8965, Health Coverage Exemptions.
<a href="#">Get started</a>	<a href="#">Get started</a>

[Learn more about health insurance and taxes.](#)



## Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21.



### Max: Health coverage eligibility & exemption status

Select the months Max was eligible for employer coverage OR another coverage exemption in 2017

Select all

Clear all

<input type="checkbox"/> Jan	<input type="checkbox"/> Feb	<input type="checkbox"/> Mar	<input checked="" type="checkbox"/> Apr
<input checked="" type="checkbox"/> May	<input checked="" type="checkbox"/> Jun	<input checked="" type="checkbox"/> Jul	<input checked="" type="checkbox"/> Aug
<input checked="" type="checkbox"/> Sep	<input checked="" type="checkbox"/> Oct	<input checked="" type="checkbox"/> Nov	<input checked="" type="checkbox"/> Dec



## Example 2: Marketplace Affordability

- Max is single with no dependents.
- He was uninsured before getting a job with coverage starting April 21.

Select the months Max was eligible for coverage outside the Marketplace like Medicare, Medicaid, or the Children's Health Insurance Program (CHIP) in 2017, except for individual market coverage.

Any months for which you indicated that Max was eligible for employer coverage or qualified for another exemption are disabled. Max is either not eligible for or does not need a Marketplace coverage affordability exemption for these months.

Select all

Clear all

<input type="checkbox"/> Jan	<input type="checkbox"/> Feb	<input type="checkbox"/> Mar	<input type="checkbox"/> Apr
<input type="checkbox"/> May	<input type="checkbox"/> Jun	<input type="checkbox"/> Jul	<input type="checkbox"/> Aug
<input type="checkbox"/> Sep	<input type="checkbox"/> Oct	<input type="checkbox"/> Nov	<input type="checkbox"/> Dec



# Example 2: Marketplace Affordability



## Your results

	Monthly SLCSP premium	Monthly LCBP premium
Jan	\$285.02	\$231.51
Feb	\$285.02	\$231.51
Mar	\$285.02	\$231.51

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if the premium values captured from the healthcare.gov tax tool that is made available to you are the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, you would need to determine if the employer's coverage is affordable to further determine affordability.

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

\$ 232

Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

\$ 285

[Click here](#) to obtain the LCBP and SLCSP premium amounts to enter above.  
[Click here](#) to determine if you can claim a health coverage exemption.

# Example 2: Marketplace Affordability



Enter the **ANNUALIZED** contribution amount this individual must pay for the first situation below that applies to the individual.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse's employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet. (\$12)

MAX PETERS

January

\$ 12

This is the annual amount.  
Max could have enrolled in a plan for \$1/mo! Enter \$12 for each month we're testing.

## Coverage Considered Unaffordable Exemption



Based on the information calculated using the Affordability Worksheet, you do not qualify to claim the Coverage is Considered Unaffordable exemption.

BACK

CONTINUE



## Example 2: Marketplace Affordability

What does this look like in the CBPP tool?

**Test for Code A Exemption (Affordability)**

8.05% of income

\$1,409

---

1. Does the taxpayer (or spouse) have an offer of self-only coverage from his or her own employer? If yes, determine the offer's affordability and STOP for this individual.

No ▾

---

2. Does anyone have an offer of family coverage from an employer? If yes, determine the offer's affordability and STOP for this individual.

No ▾

---



- Max had an offer of employer-sponsored coverage April – December.
- Here, we'll answer no because he did not have an offer *during the months we're testing*.



# Example 2: Marketplace Affordability



## 3. If there is no employer offer, is the cost of marketplace coverage unaffordable?

1) Monthly lowest cost bronze plan (LCBP) \$

For Virginia, look up the LCBP at [www.healthcare.gov/tax-tool](http://www.healthcare.gov/tax-tool).

Who is included in Line 1? Look up and add together the LCBP for each person in the household who is: (1) claimed on the tax return, (2) not offered employer coverage, and (3) not eligible for another exemption. Include people who are eligible for or enrolled in Medicare, Medicaid, CHIP and the marketplace.

2) Household income \$17,500

3) Nontaxable Social Security \$0

4) Add lines 2 + 3 \$17,500

5) Federal poverty line for family size \$12,060

6) Divide line 4 by line 5 145%

If line 6 is under 100% or 401% and over, skip lines 7 through 10 and enter zero on Line 11.

7) Find applicable figure 0.0378

8) Multiply line 4 by line 7 \$662

9) Divide line 8 by 12 \$55.17

**Remember:** We're always testing using annual income, even if someone didn't have income during the uninsured month.

10) Monthly second lowest cost silver plan (SLCSP) \$

For Virginia, look up the SLCSP at [www.healthcare.gov/tax-tool](http://www.healthcare.gov/tax-tool).

Who is included in Line 10? Look up and add together the SLCSP for each person in the household who is: (1) claimed on the tax return (2) not eligible for any coverage (except marketplace) and (3) not eligible for another exemption.

Only include an uninsured child in Line 10 if household FPL% on Line 5 is **above** this amount:

- Child (ages 0-1): 205% X
- Child (ages 1-5): 205% X
- Child (ages 6-18): 205% X

Only include an uninsured adult in Line 10 if household FPL% on Line 5 is **above** this amount:

- Adults (without a dependent child): 100% ✓
- Parents with a dependent child: 100% ✓

For example, for a single person eligible for Medicaid but not enrolled, enter the LCBP in Line 1, and enter 0 on Line 10.

11) Subtract line 9 from line 10 \$229.83

12) Subtract line 11 from line 1 \$2.17

**Annual cost of marketplace coverage** \$26

**Marketplace coverage is affordable. Code A does NOT apply.**



## Example 3: Marketplace Affordability

- Summer is single with no dependents.
- She lived in Los Angeles, CA (90017) all year.
- Uninsured all year. No offer of employer-sponsored coverage.
- W-2, Box 1 - \$13,000
- Summer's LCBP is \$207. Her SLCSP is \$276.



### Does Summer qualify for an exemption?

**Line 1:** Summer's LCBP is included because she is (1) not eligible for employer-sponsored coverage, and (2) not eligible for another exemption.

**Line 10:** At an income of 107% FPL (see Line 6) in a state that expanded Medicaid, she is eligible for Medicaid. Line 10 is zero so the exemption tool skips those lines.

#### 1) Monthly lowest cost bronze plan (LCBP)

\$

Who is included in Line 1? Look up and add together the LCBP for each person in the household who is: (1) claimed on the tax return, (2) not offered employer coverage, and (3) not eligible for another exemption. Include people who are eligible for or enrolled in Medicare, Medicaid, CHIP and the marketplace.

2) Household income \$13,000

3) Nontaxable Social Security \$0

4) Add lines 2 + 3 \$13,000

5) Federal poverty line for family size \$12,060

6) Divide line 4 by line 5 107%

If line 6 is under 139% or 401% and over, skip lines 7 through 10 and enter zero on Line 11.

11) Subtract line 9 from line 10 \$0

12) Subtract line 11 from line 1 \$207

**Annual cost of marketplace coverage** **\$2,484**



## Example 3: Marketplace Affordability in TaxSlayer

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

\$ 207

Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

\$ 0

[Click here](#) to obtain the LCBP and SLCSP premium amounts to enter above.

[Click here](#) to determine if you can claim the exemption.

The preparer needs to know when the SLCSP is zero. TaxSlayer doesn't calculate that.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse's employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet. (\$2484)

**SUMMER MCGRAW**

January

\$ 2484

February


\$ 2484

### Coverage Considered Unaffordable Exemption



Based on the information calculated using the Affordability Worksheet, you qualify to claim the Coverage is Considered Unaffordable exemption. This exemption has been automatically applied to the appropriate months for the applicable household members on the return.

# How to Integrate TaxSlayer, HealthCare.gov & CBPP Tool

- Start in TaxSlayer with insurance coverage questions
- Is there an easy exemption?
  - Income below the filing threshold?
  - Short coverage gap?
  - Non-citizen?
  - Hardship?
- If you need to move to income-related exemptions, the CBPP tool can do the math. 
- If you need to use the affordability exemption, go to HealthCare.gov or your state's marketplace
- Enter figures in the CBPP tool to calculate exemption eligibility. Print the page for the taxpayer.
- Then enter in TaxSlayer

[Example at: <https://prosperitynow.org/blog/tax-prep-dispatch-you-cant-afford-overlook-affordability>]

Household

State

Alabama

Filing status

Head of Household

Is the taxpayer or spouse age 65 or older?

No

Total number of people in the tax household

3

Income

	On the tax return:	Dependent income (only if filing requirement)
Adjusted gross income (Form 1040 line 7)	\$ 24,000	\$
Tax-exempt interest (Form 1040 line 2a)	\$	\$
Social Security income (Form 1040 line 5a)	\$	\$
Taxable Social Security (Form 1040 line 5b)	\$	\$
Foreign income (Form 2555 line 45 and 50)	\$	\$
Pre-tax deduction for employer-sponsored coverage	\$	\$
Subtotal	\$24,000	\$0
Household income		\$24,000

Test for Exemption for Income Below Filing Threshold (Form 8965, Line 7)

\*Note: Also calculated in TaxSlayer. This tool does not consider gross income below filing threshold.

Taxpayer's filing threshold is...

\$18,000

Is income below the filing threshold?

No, exemption does not apply. Continue

Test for Code G Exemption (Medicaid Coverage Gap)

138% of federal poverty line (FPL)	\$28,676
Household income	\$24,000
Is income less than 138% of FPL?	Yes, enter Code G.

<b>SCHEDULE 4</b> <b>(Form 1040)</b>		<b>Other Taxes</b>		OMB No. 1545-0074 <b>2018</b> Attachment Sequence No. <b>04</b>
Department of the Treasury Internal Revenue Service		<b>► Attach to Form 1040.</b> <b>► Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.</b>		
Name(s) shown on Form 1040 GORDON			Your social security number 611-00-1111	
<b>Other Taxes</b>	57	Self-employment tax. Attach Schedule SE . . . . .	57	
	58	Unreported social security and Medicare tax from: Form <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919	58	
	59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required . . . . .	59	
	60a	Household employment taxes. Attach Schedule H . . . . .	60a	
	60b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . . . . .	60b	
	61	Health care: individual responsibility (see instructions) . . . . .	61	348
	62	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) _____	62	
63	Section 965 net tax liability installment from Form 965-A . . . . .	63	0	
64	Add the amounts in the far right column. These are your <b>total other taxes</b> . Enter here and on Form 1040, line 14 . . . . .	64	348	

For Paperwork Reduction Act Notice, see your tax return instructions.

ONA

Schedule 4 (Form 1040) 2018



Tara Straw  
Center on Budget and Policy Priorities  
tstraw@cbpp.org

