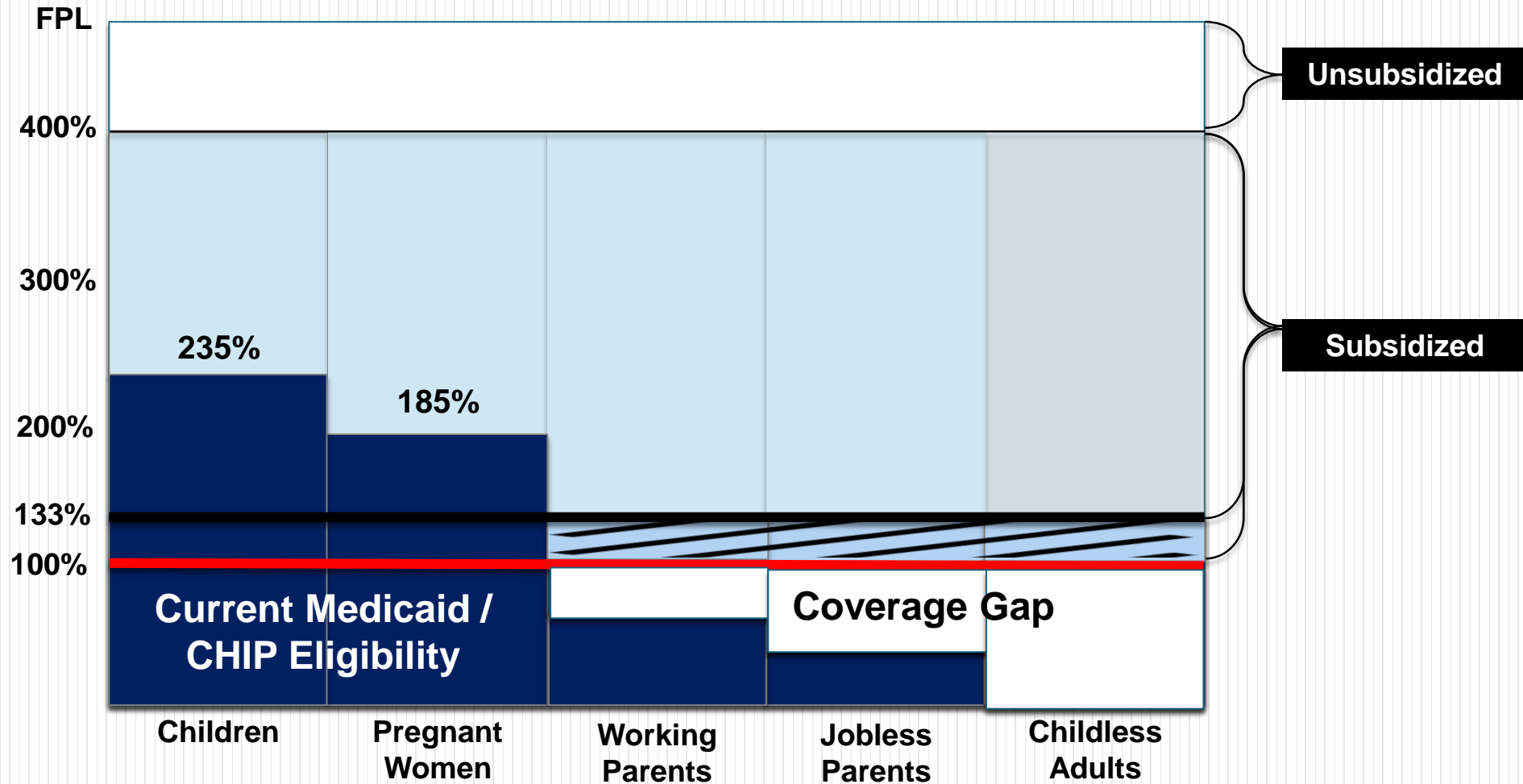


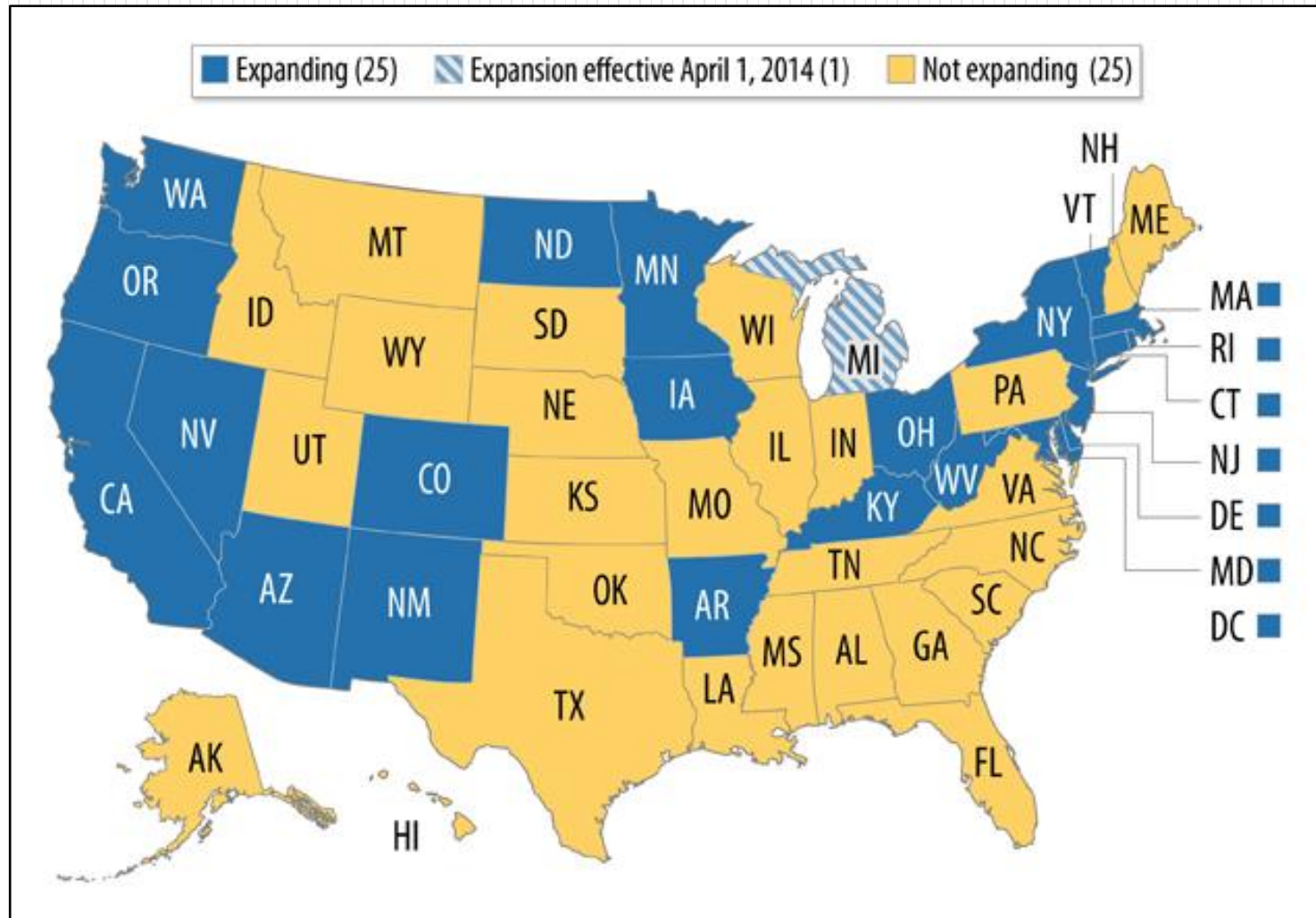
What Volunteer Tax Preparers Need to Know to Help Taxpayers Apply for Health Coverage



What Coverage Will Look Like in 2014

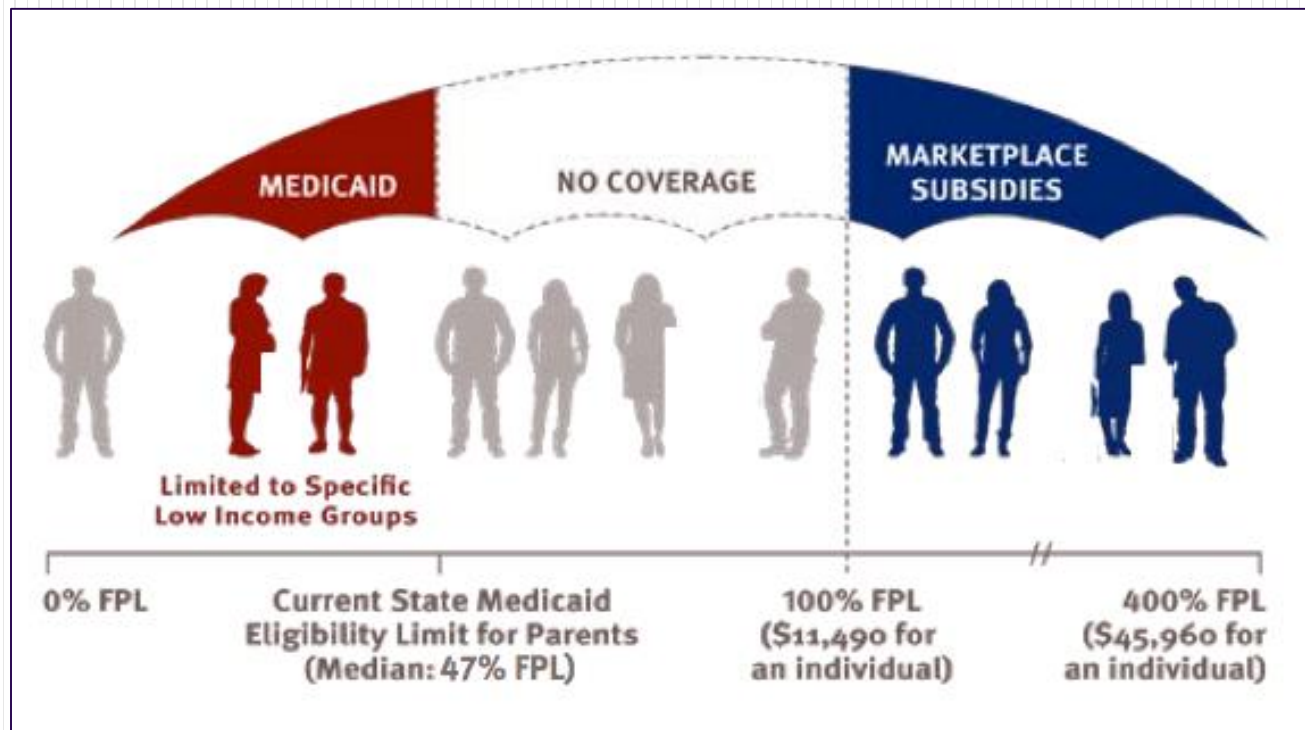


About Half the States Will Expand Medicaid



The Coverage Gap

✧ In non-expansion states, some very low-income people will *not* be eligible for either Medicaid or premium tax credits



Cost-Sharing Reductions

New **tax credits** help pay the cost of premiums for private insurance that is purchased in the “Marketplace” — a new place to shop for coverage

Help is available to a taxpayer who:

- ✧ Is a US citizen or legal immigrant
- ✧ Has income between 100 and 400% of the federal poverty level (FPL) (or below 100% FPL for lawfully present immigrants not eligible for Medicaid)

Family Size	100% FPL	400% FPL
1	\$11,490	\$45,960
4	\$23,550	\$94,200

- ✧ Is not eligible for:
 - Medicare, Medicaid, or most other public coverage
 - Employer coverage that meets certain requirements

Premium Tax Credits

- ✧ Reduces the out-of-pocket charges for covered medical care
- ✧ Available to premium credit eligible individuals with income up to 250% FPL
- ✧ Must enroll in a silver plan through the Health Insurance Marketplace

Calculating the Premium Tax Credit Amount

$$\text{Credit Amount} = \text{Cost of Benchmark Plan} - \text{Expected Premium Contribution}$$

- ✧ **Benchmark plan:** Second lowest cost silver plan, as determined by the Marketplace
- ✧ **Expected premium contribution:** A percentage of income someone is expected to pay, based on a sliding scale

Expected Premium Contribution



Example: Single Individual



John:

- 24 years old
- Income of \$28,725 (250% FPL)
- Expected contribution: 8.05% or \$2,312

3 Lowest Cost Silver Plans Covering John:

- Plan A: \$2,800
- Plan B: \$3,018 ← Benchmark
- Plan C: \$3,200

Premium Credit:

$$\$3,018 - \$2,312 = \$706$$

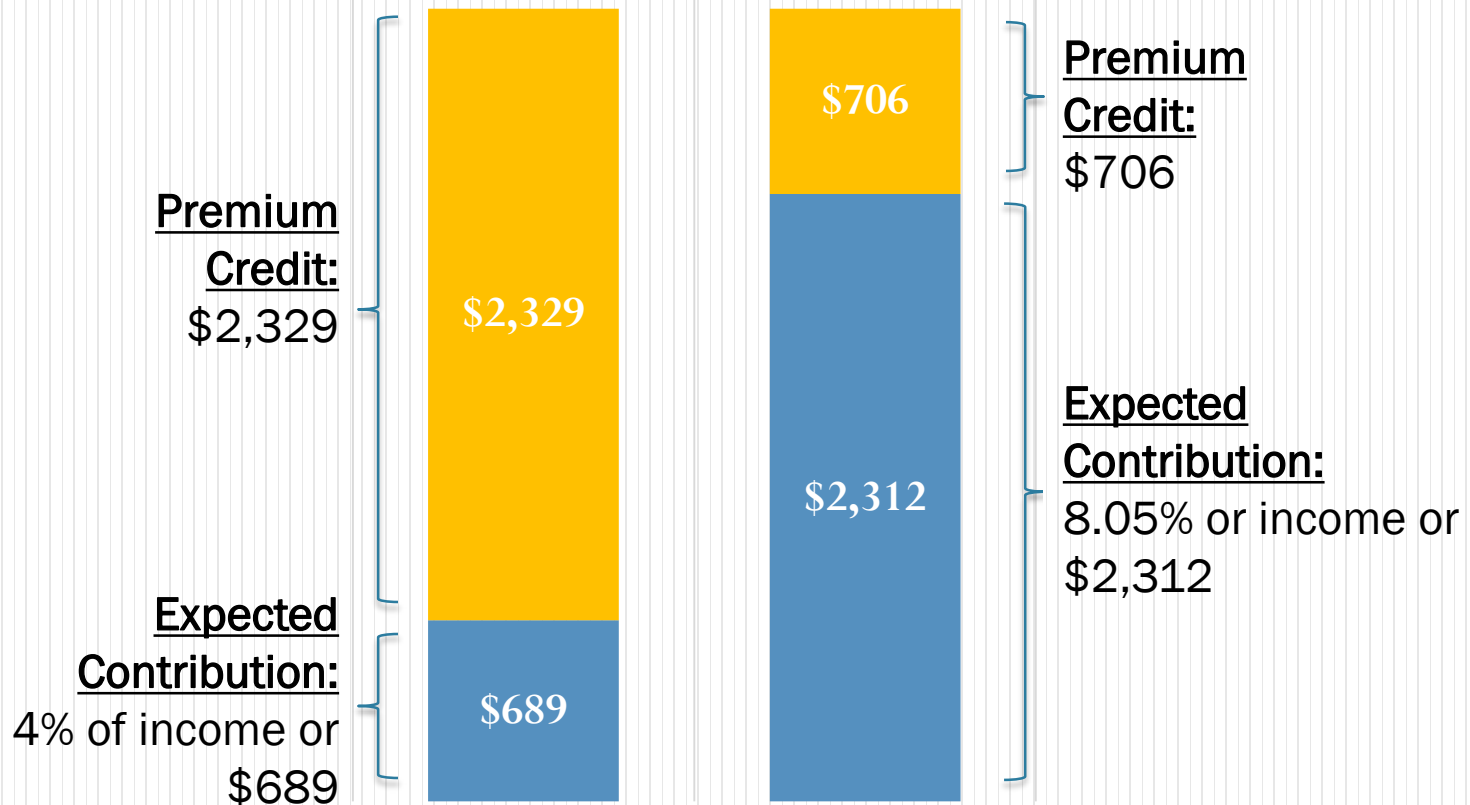
Example: Impact of Income on Premium Credit Amount

John:



Age: 24

Plan Cost: \$3,018



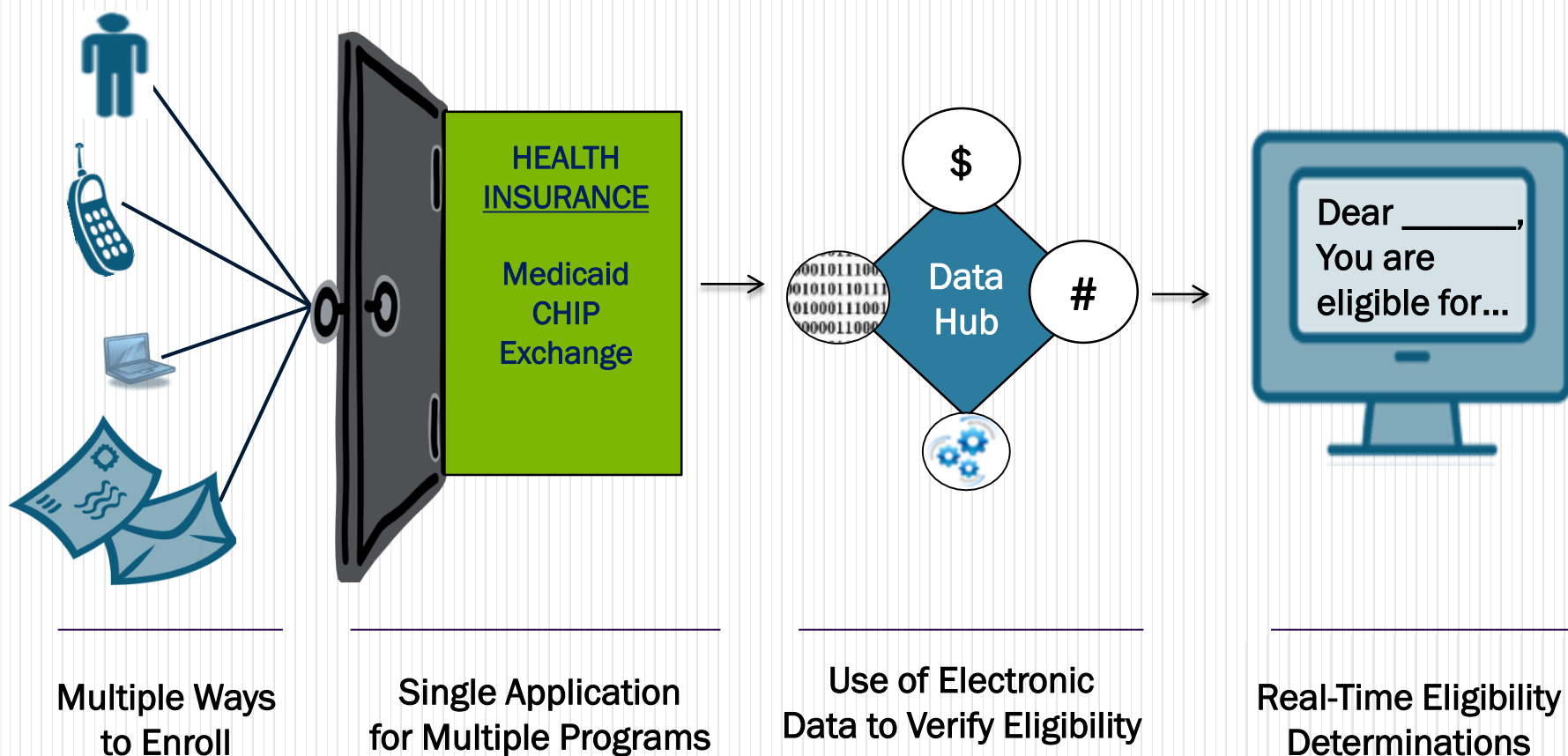
Example 1:

150% FPL or \$17,235

Example 2:

250% FPL or \$28,725

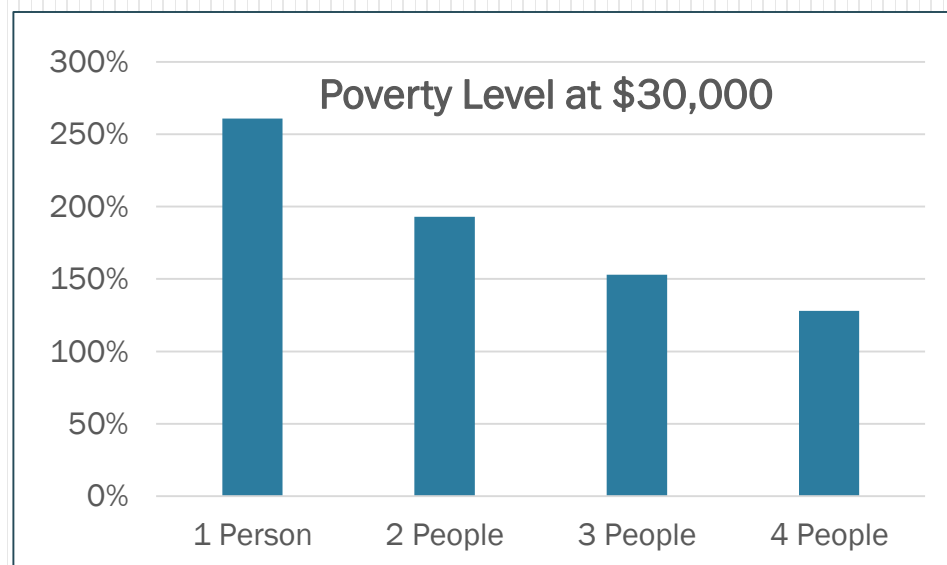
How Do People Apply for Coverage?



Establishing Households

- ✧ Household size determines a family's position on the federal poverty scale

Persons in household	Poverty guideline
1	\$11,490
2	\$15,510
3	\$19,530
4	\$23,550



- ✧ Households show whose income counts in a MAGI determination
- ✧ Households can help figure out tax filing status



Medicaid and Tax Credit Household Differences

Medicaid Households:

- ✧ Does not always equal the tax unit
- ✧ Based on individual determination – household size may vary across family members
- ✧ State options in defining households

Premium Tax Credit Households:

- ✧ Always equals the tax unit
- ✧ Tax unit determined together – members of tax unit have the same household size
- ✧ Consistent rules across all states

Defining What Income Counts

✧ Amount of
premium
credit based
on MAGI

The image shows a portion of the IRS Form 1040, specifically the 'Adjusted Gross Income' section. Line 37 is highlighted in yellow and circled in red. A red arrow points from line 37 to the definition of MAGI in the box below.

Adjusted Gross Income		
23	Educator expenses	23
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24
25	Health savings account deduction. Attach Form 8889	25
26	Moving expenses. Attach Form 3903	26
27	Deductible part of self-employment tax. Attach Schedule SE	27
28	Self-employed SEP, SIMPLE, and qualified plans	28
29	Self-employed health insurance deduction	29
30	Penalty on early withdrawal of savings	30
31a	Alimony paid b. Recipient's SSN	31a
32	IRA deduction	32
33	Student loan interest deduction	33
34	Tuition and fees. Attach Form 8917	34
35	Domestic production activities deduction. Attach Form 8903	35
36	Add lines 23 through 35	36
37	Subtract line 36 from line 22. This is your adjusted gross income	37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Modified
Adjusted
Gross Income
(MAGI)

=

Adjusted Gross Income (AGI, as defined by IRS)
+ Excluded foreign income
+ Tax exempt interest
+ Non-taxable Social Security Benefits

Estimating Income

- ✧ Current employment
- ✧ Other income
- ✧ Deductions
- ✧ Yearly and projected income for *coverage year*

31. **DEDUCTIONS:** Check all that apply, and give the amount and how often you get it.

If PERSON 2 pays for certain things that can be deducted on a federal income tax return, telling us about them could make the cost of health coverage a little lower.

NOTE: You shouldn't include a cost that you already considered in your answer to net self-employment (question 29b).

☐ Alimony paid \$ _____ How often? _____ ☐ Other deductions \$ _____ How often? _____
☐ Student loan interest \$ _____ How often? _____ Type: _____

32. **YEARLY INCOME:** Complete only if PERSON 2's income changes from month to month.

If you don't expect changes to PERSON 2's monthly income, add another person or skip to the next section.

PERSON 2's total income **this year**

\$ _____

PERSON 2's total income **next year** (if you think it will be different)

\$ _____

Projecting Income

- ✧ People who have variable or unpredictable income will need more help and guidance:
 - Self-employed
 - Hourly workers
 - Seasonal workers
- ✧ Estimating income by job or by month will require documentation:
 - Receipts, invoices, bank records, etc.



Key Types of Minimum Essential Coverage

Government-Sponsored Coverage

- ✓ Medicare
- ✓ Most types of Medicaid
- ✓ Most veterans and military coverage
- ✓ CHIP



“Single-benefit” coverage is not MEC, e.g., Medicaid for family planning.

Private Insurance

- ✓ Nearly all employer-sponsored insurance
- ✓ Most plans sold in the insurance market (inside or outside the Marketplace)

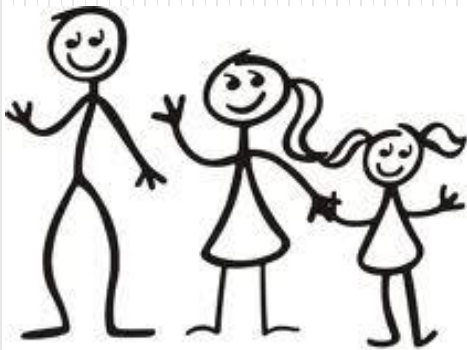
Regardless of minimum value or affordability

Not short-term coverage or “excepted benefits,” like stand-alone vision or dental insurance

Other Insurance, as designated by the Secretary of HHS

Jumping the Firewall from Employer to Subsidized Marketplace Coverage

If unaffordable or inadequate



Offer of Employer Coverage



Premium Tax Credits

How Do People Get the Premium Credits?

In Advance



\$\$\$\$

Advance Payment
of the Tax Credit



\$\$

Expected Premium
Contribution

CareFirst[®] BlueCross BlueShield

During Tax Time



Changes in Circumstances

✧ Premium Credit eligible taxpayers will need to be reminded that changes in circumstances may affect their eligibility



Changes in Circumstances

- ✧ Eligibility for and final amount of the premium credit is based on actual income
- ✧ At tax filing, advance payments received are reconciled with the actual credit amount

Actual
income
\$\$\$\$

>

Projected
income
\$\$



Actual
income
\$\$

<

Projected
income
\$\$\$\$

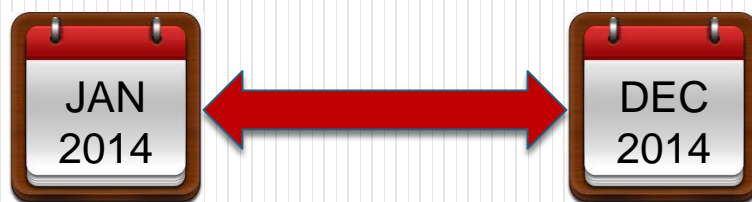


Cap on Reconciliation

Income as percentage of poverty line	Annual income for an individual (2013 \$)	Single taxpayers	Annual income for a family of four (2013 \$)	Married taxpayers filing jointly
Under 200%	Under \$22,980	\$300	Under \$47,100	\$600
At least 200% but less than 300%	\$22,980 - \$34,470	\$750	\$47,100 - \$70,650	\$1,500
At least 300% but less than 400%	\$34,470 - \$45,960	\$1,250	\$70,650 - \$94,200	\$2,500
400% and above	\$45,960 and higher	Full reconciliation	\$94,200 and higher	Full reconciliation

Health Insurance is Required

- ✧ On next year's tax return, taxpayers will report whether or not they had insurance in each month in 2014.



- ✧ Taxpayers without insurance for a month will pay a penalty for themselves and any dependents who are uninsured.

Tax penalties will start small but grow over the next 3 years.

- ✧ *Some people will be exempt* from the penalties based on their income, the cost of insurance, or other factors.



The Penalty for Not Obtaining Coverage

Annual Penalty is the <u>GREATER</u> of:		
	Flat dollar amount	OR Percentage of income
2014	Each adult: \$95 <hr/> Each child: ½ adult (\$47.50) <hr/> <i>Maximum: \$285</i>	1% of applicable income*
2015	Each adult: \$325 <hr/> Each child: ½ adult (\$162.50) <hr/> <i>Maximum: \$975</i>	2% of applicable income*
2016 and beyond	Each adult: \$695 <hr/> Each child: ½ adult (\$347.50) <hr/> <i>Maximum: \$2,085</i>	2.5% of applicable income*

* Income above the tax filing threshold

Exemptions from the Penalty

EXEMPTIONS GRANTED BY THE MARKETPLACE

- ✧ Religious conscience
- ✧ Hardship, such as:
 - ✧ Difficulty paying bills
 - ✧ State failure to expand Medicaid
 - ✧ Unaffordability of insurance

EXEMPTIONS GRANTED AT TAX FILING

- ✧ Income below filing threshold
- ✧ Insurance is unaffordable
- ✧ Undocumented resident
- ✧ Short coverage gap (<3 months)

EXEMPTIONS GRANTED BY EITHER

- ✧ Indian tribe membership
- ✧ Incarceration
- ✧ Health care sharing ministry