



ACA: Everything You Need to Know

Part IV: The “Penalty” & Comprehensive ACA Examples

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Reminder: Steps in the Tax Return Related to the ACA


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

Step 1

Did everyone on the tax return have coverage all year?

YES →

Taxes

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 	61	

NO →

Go to Step 2.

Step 2

Is anyone on the tax return eligible for an exemption from the coverage requirement for any month during the year? Complete Form 8965.

Step 3

If no coverage and no exemption, calculate Individual Shared Responsibility Payment using TaxWise Worksheet 8.

Step 4

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



Individual Shared Responsibility Payment (ISRP)

aka Individual Shared Responsibility Payment

aka “Penalty”

Terminology

- Most people refer to this as “the penalty” for not having insurance.
- The IRS calls it the “Individual Shared Responsibility Payment”
 - **Individual** because this payment is for individuals without coverage
 - **Shared responsibility** because individuals, like employers and the government, have a responsibility to participate in the health insurance market.
 - **Payment** because it decreases the amount of tax refund or increases the balance due.
- We’ll call this ISRP for short.



Individual Shared Responsibility Payment (ISRP)

- An ISRP is computed when anyone on the tax return (or who could be claimed as a dependent) did not have insurance for any month of the tax year and did not qualify for an exemption for that month.
- The ISRP is reported on Form 1040, line 61.

Taxes	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	

- In TaxWise, the ISRP is computed on Form 1040, Worksheet 8, Shared Responsibility Payment Worksheet.
 - In the IRS publications, the ISRP is calculated in worksheet(s) in the Form 8965 instructions, but it's not necessary to file Form 8965 unless someone is claiming an exemption.



How is the ISRP Calculated?

- The ISRP is calculated in two ways. The ISRP is the higher amount of the two.
 - **Percentage of Income:** 1% of household income above the tax filing threshold, prorated for the number of months someone was uninsured.
 - **Flat Dollar Amount:** \$95 per adult for the year (half that amount for kids), prorated for the number of months someone was uninsured. Capped at \$285 for the year.
- The total goes on Form 1040, line 61.



The amount of ISRP is relatively low for tax year 2014 and increases in subsequent years.

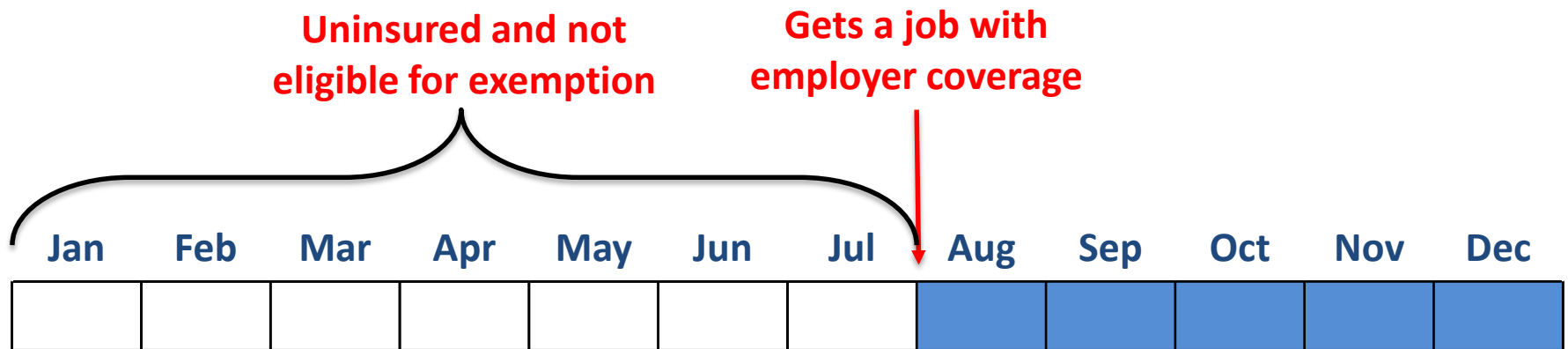
Year	Full-year payment is <u>greater</u> of:	
2014	1% of household income above tax filing threshold (up to cap*)	\$95 per adult, \$47.50 per child (up to cap of \$285)
2015	2% of household income above tax filing threshold (up to cap*)	\$325 per adult, \$162.50 per child (up to cap of \$975)
2016	2.5% of household income above tax filing threshold (up to cap*)	\$695 per adult, \$347.50 per child (up to cap of \$2,085)
2017 and beyond	<i>Values increased by a cost-of-living adjustment</i>	

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



Calculating the ISRP– Partial Year Coverage

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



ISRP = 7/12 of annual calculation



Example: John (Single)



ISRP Calculation:

$$1. \$17,000 - \$10,150 = \$6,850$$

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

$$\quad \quad \quad \mathbf{\$68.50}$$

$$2. \$95 \times 1 \text{ adult} =$$

\$95.00

*ISRP for
2014*

Income:	\$17,000
Filing Status:	Single
Adults:	1
Children:	0

Tax Filing Threshold:	\$10,150
Months Uninsured:	12

Example: Reyes Family (Married Filing Jointly)



ISRP Calculation:

$$\begin{array}{r}
 1. \$39,500 - \$20,300 = \$19,200 \\
 \quad \quad \quad \quad \quad \quad \quad \quad \times 1\% \\
 \quad \quad \quad \quad \quad \quad \quad \quad \hline
 \quad \quad \quad \quad \quad \quad \quad \quad \$192.00
 \end{array}$$

$$\begin{array}{r}
 2. \$95 \times 2 \text{ adult} \\
 + \$47.50 \times 2 \text{ children} = \text{\textbf{\$285.00}}
 \end{array}$$

ISRP for 2014

Income:	\$39,500
Filing Status:	Married Filing Jointly
Adults:	2 (both uninsured)
Children:	2 (both uninsured)

Tax Filing Threshold:	\$20,300
Months Uninsured:	12



Example: Reyes Family (Married Filing Jointly)



ISRP Calculation:

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

$$\begin{array}{r} \text{---} \times 1\% \\ \text{\textbf{\$192.00}} \end{array} \quad \text{\textit{ISRP for 2014}}$$

$$2. \$95 \times 1 \text{ adult} = \$95.00$$

Income:	\$39,500
Filing Status:	Married Filing Jointly
Adults:	2 (one insured)
Children:	2 (both insured)

Tax Filing Threshold:	\$20,300
Months Uninsured:	12

ISRP in TaxWise

- In TaxWise, the draft ISRP worksheet 8 looks like this:

US

Shared Responsibility Payment Worksheet

2014

Name: Joe Taxpayer
SSN: 111-11-1111

If you or another member of your tax household had neither minimum essential coverage nor a coverage exemption for any month during 2014, use the Shared Responsibility Payment Worksheet, below, to figure your shared responsibility payment. For each individual, check the box in the column labeled "Full" if the individual had minimum essential coverage for the entire year or check the box for each month that the individual did not have minimum essential coverage. If you are applying for an exemption for an individual, check the box in the column labeled "Exm" and only check those months that are not covered by the exemption, if any.

	Full	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<u>Taxpayer is under age 18 at beginning of month</u>	<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"/>	<input type="checkbox"/>
<u>Spouse is under age 18 at beginning of month</u>	<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"/>	<input type="checkbox"/>
<u>Dependent one is under age 18 at beginning of month</u>	<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"/>	<input type="checkbox"/>
<u>Dependent two is under age 18 at beginning of month</u>	<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"/>	<input type="checkbox"/>

Warning! This is based on an early draft of TaxWise and is subject to change.



ISRP in TaxWise

- In TaxWise, the draft ISRP worksheet 8 looks like this:

US **Shared Responsibility Payment Worksheet** **2014**

Name: Joe Taxpayer SSN: 111-11-1111

If your tax household had neither minimum essential coverage nor a coverage exemption for any month in 2014, use this Shared Responsibility Payment Worksheet, below, to figure your shared responsibility payment. For each month, check the box in the column labeled "Full" if the individual had minimum essential coverage for the entire month, or check the box in the column labeled "Mkt" if the individual had minimum essential coverage for part of the month. If you are applying for an exemption, check the box in the column labeled "Exm" and only check those months that are not covered by the exemption, if any.

Taxpayer and dependent names will autofill here

	Full	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Taxpayer is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Spouse is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Dependent one is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Dependent two is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>

Warning! This is based on an early draft of TaxWise and is subject to change.



ISRP in TaxWise

- In TaxWise, the draft ISRP worksheet 8 looks like this:

US **Shared Responsibility Payment Worksheet** **2014**

Name: Joe Taxpayer SSN: 111-11-1111

If you or another member of your tax household has been under age 18 at the beginning of any month during 2014, use the Shared Responsibility Worksheet. For each individual, check the box in the column labeled "Full" for the first month of the year or check the box for each month that the individual was under age 18. For each exemption for an individual, check the box in the column labeled "Exm" for the first month of the exemption, if any.

If the taxpayer or dependents are under age 18 at the beginning of any month, TaxWise will check the appropriate boxes in the second row. (This affects the payment calculation.)

	Full	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Taxpayer is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Spouse is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Dependent one is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Dependent two is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>

Warning! This is based on an early draft of TaxWise and is subject to change.



Shared Responsibility Payment Worksheet

2014

SSN: 111-11-1111

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

Tricky! Check only the months where the person had no coverage and no exemption, i.e., the penalty months.

Client Education Opportunities



Many people will be surprised by the ISRP. Here's how to help:

- **Walk through exemption eligibility.** Explain the types of situations where exemptions are granted. This educates the client about the rules and shows the client that you did your best to help.
- **Ask about their insurance status for 2015.** If they don't have insurance, refer them to healthcare.gov or, better yet, to a local health care assister. Depending on what kind of insurance someone qualifies for, there may be rules allowing enrollment only at certain times of the year ("open enrollment").
- **Remind the client that penalties are low this year but increase substantially in future years.** Helping them think ahead about their 2015 coverage is no different than, for example, advising a client to adjust their tax withholding for 2015.



What happens if a client can't pay the ISRP?

- An ISRP balance due will not affect the penalty for Underpayment of Estimated Taxes.
- An unpaid ISRP balance due will accrue interest but not additional penalties for late payment.
- The IRS will collect ISRP balances due through voluntary payments and refund offsets but is prohibited from using liens or levy to collect. The IRS will work with taxpayers who are having difficulty paying a balance due.



Exemptions Update

So many exemptions!

- These exemptions are available directly on the tax return.

Part II – Exemption for the entire family, for the entire year

Household income or gross income below the filing threshold:

Single	\$10,150
Head of Household	\$13,050
Married Filing Jointly	\$20,300
Married Filing Separately	\$3,950
Qualifying Widower	\$16,350

**Amounts are for non-dependents under age 65*

Part III – Exemption for an individual, for the entire year

In the Medicaid coverage gap in 2014:

- (1) Income < 138% FPL
- (2) Live in a non-expansion state

Part III – Exemptions for certain individuals, in certain months:

Certain noncitizens (including people not lawfully present) and citizens living abroad

Health care sharing ministry

Federally-recognized Indian tribe or eligible for IHS

Limited benefit Medicaid

Incarceration

Insurance is unaffordable (>8% of household income)

Aggregate cost of insurance is unaffordable

Short coverage gap (up to 2 months)

Coverage by May 1 or “in-line” for coverage

Non-calendar year coverage



Individuals in States that Did Not Expand Medicaid Code G*

New!

as of
11/21/14

This exemption applies to:

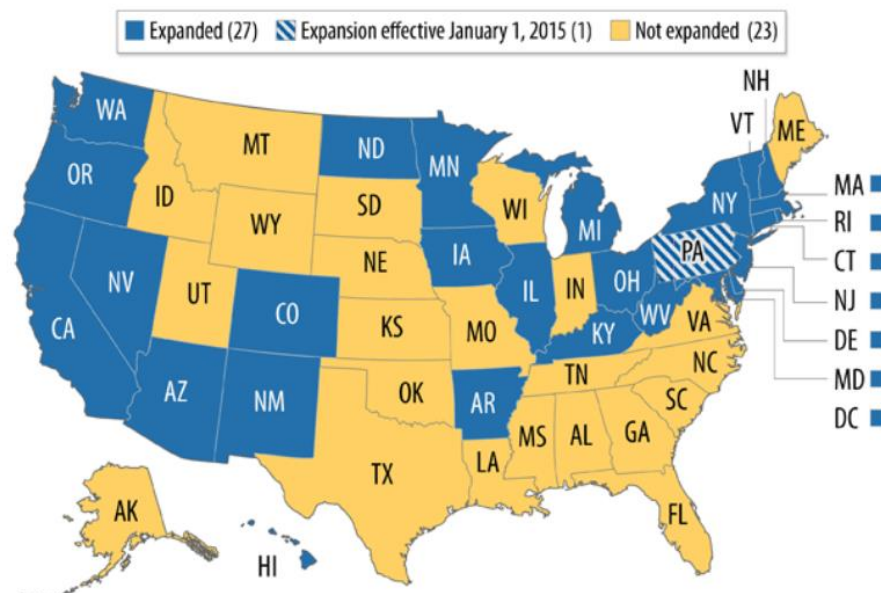
- Individuals who resided *at any time during the year* in a state that did not expand Medicaid, *and*
- Had household income below 138% FPL (i.e., would have been eligible for Medicaid if the state had expanded).

This will be an important and common exemption in the states that did not expand Medicaid!

Consult the Federal Poverty Level tables in Publication 4012. Income eligibility levels increase by family size.

Note: For the 2015 tax year, a person must *apply for Medicaid and be denied* in order to claim this exemption.

Medicaid Expansion Status



As of Dec. 1, 2014

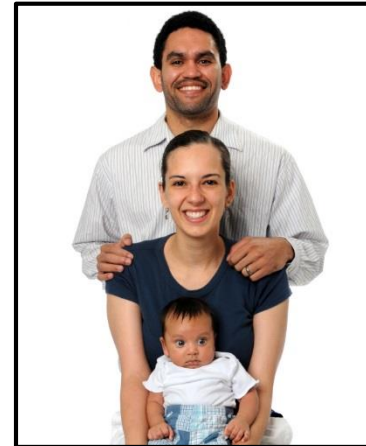


ACA: Everything You Need to Know

*Note: The exemption code for this new exemption is not yet finalized.

Example

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



Does Rashid qualify for an exemption?

Yes, Rashid's household income is below 138% FPL and he lived in a non-expansion state. Rashid qualifies for this exemption for the entire year even if he had other insurance options, such as coverage through his wife's employer or insurance in the Marketplace with PTC.

Rashid will enter Code G in Part III of Form 8965.

Advise Rashid that, to claim this exemption in 2015, he needs to apply for Medicaid and get a denial to prove that he isn't eligible. It won't be this easy next year!



Putting It All Together

Example 1

- Sam and his twin sister, Trudy, are age 32 and single. They lived with their mother, Sumitra, all year.
- Sam earned \$35,000 in wages, his only income, and he is correctly filing as head of household. Sam had employer-sponsored health insurance all year.
- His sister, Trudy, qualifies as Sam's dependent. Sam says that Trudy had a couple of small jobs and earned \$1,000 - \$2,000. Trudy purchased insurance through the Marketplace but stopped making the payments. Her insurance started in February and was cancelled in September.
- Sumitra has an ITIN (she is undocumented) and also qualifies as Sam's dependent. She is single, age 66, and had no income. Sumitra is not eligible for Medicare and is uninsured.

Coverage Months												
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Sam												
Trudy		Marketplace Coverage – Complete Form 8962!										
Sumitra												

Do any exemptions apply?

Example 1

- Sam and his twin sister, Trudy, are age 32 and single. They lived with their mother, Sumitra, all year.
- **Sam earned \$35,000 in wages, his only income, and he is correctly filing as head of household. Sam had employer-sponsored health insurance all year.**
- His sister, Trudy, qualifies as Sam's dependent. Sam says that Trudy had a couple of small jobs and earned \$1,000 - \$2,000. Trudy purchased insurance through the Marketplace but stopped making the payments. Her insurance started in February and was cancelled in September.
- Sumitra has an ITIN (she is undocumented) and also qualifies as Sam's dependent. She is single, age 66, and had no income. Sumitra is not eligible for Medicare and is uninsured.

Start: Does the household have income under the filing threshold?

Sam's filing threshold - \$13,050

Line 7a – Household income (including income of dependents with a filing requirement)

Line 7b – Gross income (not including income of dependents with a filing requirement)

Neither of these apply. Let's consider exemptions for individuals....



Example 1

- Sam and his twin sister, Trudy, are age 32 and single. They lived with their mother, Sumitra, all year.
- Sam earned \$35,000 in wages, his only income, and he is correctly filing as head of household. Sam had employer-sponsored health insurance all year.
- His sister, Trudy, qualifies as Sam's dependent. Sam says that Trudy had a couple of small jobs and earned \$1,000 - \$2,000. Trudy purchased insurance through the Marketplace but stopped making the payments. Her insurance started in February and was cancelled in September.
- **Sumitra has an ITIN (she is undocumented) and also qualifies as Sam's dependent. She is single, age 66, and had no income. Sumitra is not eligible for Medicare and is uninsured.**

Does Sumitra qualify for an exemption for her uninsured months (Jan – Dec)?

Based on these facts, Sumitra appears to qualify for the exemption for non-citizens (Code C). This exemption can be claimed for every month of the year because her status was the same in every month.



Example 1

- Sam and his twin sister, Trudy, are age 32 and single. They lived with their mother, Sumitra, all year.
- Sam earned \$35,000 in wages, his only income, and he is correctly filing as head of household. Sam had employer-sponsored health insurance all year.
- **His sister, Trudy, qualifies as Sam's dependent. Sam says that Trudy had a couple of small jobs and earned \$1,000 - \$2,000. Trudy purchased insurance through the Marketplace but stopped making the payments. Her insurance started in February and was cancelled in September.**
- Sumitra has an ITIN (she is undocumented) and also qualifies as Sam's dependent. She is single, age 66, and had no income. Sumitra is not eligible for Medicare and is uninsured.

Does Trudy qualify for an exemption for her uninsured months (Jan, Oct-Dec)?

For Jan: Short coverage gap (Code B) or Gap Prior to May 1 (Code G)

For Oct-Dec: No exemption appears to apply.



Example 1

Complete the rest of the tax return then go to Wkt 8:

- Sam is insured all year. Indicate this by checking the box **Full**.
- Sumitra has an exemption all year. Check **Exm**, do not check any months, and, separately, complete Form 8965.
- Trudy has an exemption in January, had Marketplace insurance Feb-Sept, and was uninsured Oct-Dec. Check **Exm** and **Mkt** and check only the months when she did not have any coverage or exemption, i.e., the penalty months. Complete Forms 8965 and 8962.

	Full	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SAM SMITH	<input checked="" 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"/>	<input type="checkbox"/>
Taxpayer is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
Spouse is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
TRUDY SMITH	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dependent one is under age 18 at beginning of month	<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"/>	<input type="checkbox"/>
SUMITRA SMITH	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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"/>



Example 1

Year	Full-year payment is <u>greater of</u> :	
2014	1% of household income above tax filing threshold (up to cap*)	\$95 per adult, \$47.50 per child (up to cap of \$285)

- Sam's household income is \$35,000 and his tax filing threshold is \$13,050.
- $\$35,000 - \$13,050 = \$21,950 * 1\% = \220
- $\$220 * 3/12 \text{ (months uninsured)} = \55

- $\$95 * 3/12 \text{ (months uninsured)} = \24

The greater of the two calculations is \$55

➤ **\$55 will autofill on Line 61 of Form 1040.**

Note that even though Sam had insurance, he is responsible for the ISRP of any dependent on his return, even the adults!



Example 1

We're not done!

- Complete Form 8965, Exemptions for Sumitra and Trudy
- Scroll down to 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	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Name	SSN	Exemption type	Full year	Jan	Feb	Mar	Apr	Nov	Jun	Jul	Aug	Sep	Oct	Nov	Dec
8 SUMITRA SMITH		C	<input checked="" 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"/>
9 TRUDY SMITH		G	<input type="checkbox"/>	<input checked="" 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"/>



Example 1 – Trudy's 1095-A

Part III Household Information

Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit
21 January	0	0	0
22 February	255	250	99
23 March	255	250	99
24 April	255	250	99
25 May	255	250	99
26 June	255	250	99
27 July	255	250	99
28 August	255	250	99
29 September	255	250	99
30 October	0	0	0
31 November	0	0	0
32 December	0	0	0
33 Annual Totals	2,295	2,250	792



Example 1

- Complete Form 8962, Premium Tax Credit
- Most of Part 1 will autofill.

Part 1: Annual and Monthly Contribution Amount

- 1 Family size
- 2a Modified AGI
- b Enter total of your dependents' modified AGI
- 3 Household income
- 4 Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2014 and you lived in Alaska and / or Hawaii, or if filing jointly and you and your spouse lived in different states, check all of the boxes that apply. The table that results in the highest income will be used.
- ☐ Alaska ☐ Hawaii ☒ Other 48 states and DC
- 5 Household income as a percentage of Federal poverty line
- 6 Is the result on line 5 less than or equal to 400%? See instructions if result is less than 100%.
- ☒ Yes. Continue to line 7.
- ☐ No. You are not eligible to receive the PTC. If you received advance payment of PTC, skip lines 7 and 8 and go to line 9. If you did not receive any advance payment of PTC, stop here.
- If the percentage on line 5 is less than 100%, did the taxpayer qualify for the PTC under the requirements in the instructions? ☐ Yes. ☐ No.
- 7 Applicable figure from the table in the instructions
- 8a Annual contribution for health care - multiply line 3 by line 7
- b Monthly contribution for health care - divide line 8a by 12

3
35000
0
35000
9530
179 %
0.0533
1866
156

Two circumstances when someone can have income under 100% FPL and still get PTC:

1. A person enrolled in a Marketplace plan, was determined eligible for subsidies and received PTC in advance, but at the end of the year had income <100% FPL.
2. Lawfully present immigrant who is ineligible for Medicaid due to immigration status.



Example 1

- Question 10 reflects that we need to do the calculation monthly since Trudy was enrolled in Marketplace coverage only 8 months of the year.

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

- 9** Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)
- ☐ **Yes.** Skip to Part 4, Share Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage
- ☒ **No.** Continue to line 10.
- 10** Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown in lines 21 - 32, columns A and B?
- ☐ **Yes.** Continue to line 11. Compute your annual PTC. Skip lines 12 - 23 and continue to line 24.
- ☒ **No.** Continue to lines 12 - 23. Compute your monthly PTC and continue to line 24.



Example 1

Complete the monthly calculation based on information from the 1095-A.

Copy from
Form 1095-A

		A Monthly premium amount Form 1095-A lines 21 - 32, column A	B Monthly premium amount of SLCSP Form 1095-A lines 21 - 32, column B	C Monthly contribution amount Line 8B or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32, column C
12	January	0	0	0	0	0	0
13	February	255	250	156	94	94	99
14	March	255	250	156	94	94	99
15	April	255	250	156	94	94	99
16	May	255	250	156	94	94	99
17	June	255	250	156	94	94	99
18	July	255	250	156	94	94	99
19	August	255	250	156	94	94	99
20	Sept	255	250	156	94	94	99
21	October	0	0	0	0	0	0
22	Nov	0	0	0	0	0	0
23	Dec	0	0	0	0	0	0

Example 1

Complete the monthly calculation based on information from the 1095-A.

Calculated by
TaxWise

		A Monthly premium amount Form 1095-A lines 21 - 32, column A	B Monthly premium amount of SLCSP Form 1095-A lines 21 - 32, column B	C Monthly contribution amount Line 8B or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32, column C
12	January	0	0	0	0	0	0
13	February	255	250	156	94	94	99
14	March	255	250	156	94	94	99
15	April	255	250	156	94	94	99
16	May	255	250	156	94	94	99
17	June	255	250	156	94	94	99
18	July	255	250	156	94	94	99
19	August	255	250	156	94	94	99
20	Sept	255	250	156	94	94	99
21	October	0	0	0	0	0	0
22	Nov	0	0	0	0	0	0
23	Dec	0	0	0	0	0	0

Example 1

Complete the monthly calculation based on information from the 1095-A.

		A Monthly premium amount Form 1095-A lines 21 - 32, column A	B Monthly premium amount of SLCSP Form 1095-A lines 21 - 32, column B	C Monthly contribution amount Line 8B or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32, column C
12	January	0	0	0	0	0	0
13	February	255	250	156	94	94	99
14	March	255	250	156	94	94	99
15	April	255	250	156	94	94	99
16	May	255	250	156	94	94	99
17	June	255	250	156	94	94	99
18	July	255	250	156	94	94	99
19	August	255	250	156	94	94	99
20	Sept	255	250	156	94	94	99
21	October	0	0	0	0	0	0
22	Nov	0	0	0	0	0	0
23	Dec	0	0	0	0	0	0
24	Total premium tax credit						752
25	Advance payment of PTC						792
26	Net premium tax credit						0

Part 3: Repayment of Advance Payment of the Premium Tax Credit

27	Excess advance payment of PTC	40
28	Repayment limitation	600
29	Excess advance payment premium tax credit repayment	40

Moves to
Line 46

Example 1 – Summary

- Sam's personal situation was simple, but he had to do quite a bit of work to account for his dependents.
- Because Sumitra and Trudy were properly claimed as dependents, Sam was responsible for:
 - Sumitra and Trudy's exemptions, reported on Form 8965
 - The reconciliation of Trudy's premium tax credit on Form 8962
 - The payment of Trudy's ISRP, calculated on Worksheet 8



Example 2

- Monica is divorced and works part-time. She is not offered benefits at work and was uninsured at the beginning of 2014.
- Her mom convinced her to sign up for coverage from the Marketplace. She completed her application on March 16, and her coverage was effective on May 1.
- On Sept 10, she moved to a full-time position with her employer and was eligible for health insurance.
- She lives in a state that did not expand Medicaid.

Coverage Months													
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Monica	Uninsured				Marketplace coverage				?	Employer coverage			

A person is eligible for PTC in a month when: (1) on the first day of the month, the person was enrolled in a Marketplace plan, (2) the taxpayer paid her premiums for that month by date taxes due; and (3) the individual is not eligible for other MEC for the *full* calendar month. So Monica gets PTC for the whole month of Sept.

Example 2

Let's deal with exemptions first

1. *Figure out whether Monica qualifies for an exemption for Jan-April.*
 - Short coverage gap doesn't apply
 - But she did secure coverage by May 1. Use Code G.
2. *Complete Worksheet 8* – No uninsured/nonexempt months so check no boxes!

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

3. Complete Form 8965

Form 8965, Exemptions															
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	SSN	Exemption type	Full year	Jan	Feb	Mar	Apr	Nov	Jun	Jul	Aug	Sep	Oct	Nov	Dec
8 MONICA WEATHERBY		G	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" 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"/>

Example 2

Form 8962, Premium Tax Credit

		A Monthly premium amount Form 1095-A lines 21 - 32, column A	B Monthly premium amount of SLCSP Form 1095-A lines 21 - 32, column B	C Monthly contribution amount Line 8B or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32, column C
12	January	0	0	0	0	0	0
13	February	0	0	0	0	0	0
14	March	0	0	0	0	0	0
15	April	0	0	0	0	0	0
16	May	300	276	66	210	210	236
17	June	300	276	66	210	210	236
18	July	300	276	66	210	210	236
19	August	300	276	66	210	210	236
20	Sept	300	276	66	210	210	236
21	October	0	0	0	0	0	
22	Nov	0	0	0	0	0	0
23	Dec	0	0	0	0	0	0
24	Total premium tax credit						1050
25	Advance payment of PTC						1180
26	Net premium tax credit						0

Part 3: Repayment of Advance Payment of the Premium Tax Credit

27	Excess advance payment of PTC	130
28	Repayment limitation	300
29	Excess advance payment premium tax credit repayment	130

Moves to
Line 46



Example 2 – Summary

- Monica has a repayment of \$130. It may be helpful to explain a few things:
 - In the end, Monica received a \$1,050 premium tax credit toward the purchase of private health insurance.
 - The credit paid more than 2/3 of the cost of her insurance plan (total from column A).
 - The overpayment was due to the change in her income.
 - In this case, the change in her income was due to her new job, which also provided her with health coverage.
 - When someone who will remain enrolled in Marketplace coverage has an increase in income, however, reporting the change can reduce the risk of repayment because the advance credits can be adjusted mid-year. For those who have a decrease in income, the advance credits can be increased to help them afford their monthly premiums.



New ACA Training Course Now Available!

- A six-part ACA training course for VITA volunteers that is intended to supplement classroom training. It gives step-by-step advice on completing ACA-related questions in TaxWise and then quizzes users on their knowledge
- *To create an account and access the course:*
 1. Go to <https://cbpp.eleapcourses.com/>
 2. Click the yellow "Add to Cart" button on the VITA Training course.
 3. Click the "Checkout" button. (If you cannot find this button, go to the "My Cart" link at the top of the page.)
 4. Create an account. Make sure to add office@eleapsoftware.com to your address book, so that notifications go to your Inbox and not to your Spam folder.
 5. When you're finished registering, you will be taken back to your cart to complete the checkout process. Click "Checkout" when you're ready.
 6. You will see a confirmation page with a link to access the training.
- *Returning users:*
 - Go to <https://courseportal.2leap.com/> and log in. You can pick up the course wherever you stopped.



Coming soon...

- Job tools for preparers
- Guides for reviewers
- Examples for TW practice
- Advanced reconciliation: Part IV of Form 8962
- Continued availability to answer questions
- Any special requests?



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For more information and resources, please visit:

www.healthreformbeyondthebasics.org

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