



ACA: Everything You Need to Know

Part V: Common Errors & Introduction to Advanced Reconciliation

Tara Straw

January 29, 2015

(Revised February 18, 2015)

- **Common Errors**

- Coverage Requirement & Individual Shared Responsibility Payment (ISRP)
 - The devil is in the details of the ACA Worksheet
- Exemptions
 - New tools for lowest cost bronze plan and Second Lowest Cost Silver Plan (SLCSP) (affordability exemption, Code A)
- Premium Tax Credit

- **Advanced Reconciliation**

- Know your limits



Common Errors

Review: Definitions of Income (PTC – Form 8962)

Several different definitions of income are used on Forms 8962 and 8965. Some are calculated by TaxWise and some are not!

Modified Adjusted Gross Income (MAGI) for Determining Eligibility for PTCs



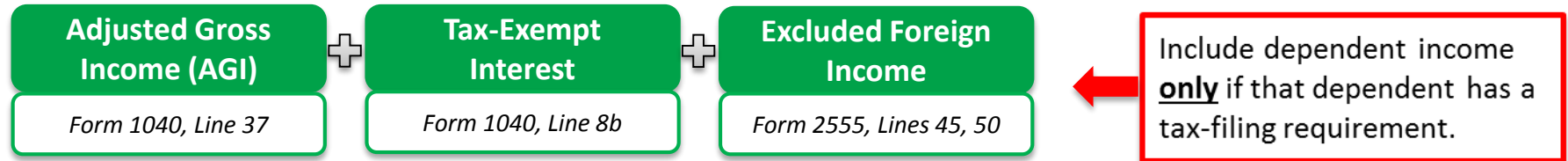
Notes:

- Calculated by TaxWise on Form 8962, line 2a.
- When asked for dependent income on line 2b, only enter dependent income if that dependent has a tax-filing requirement, according to Pub. 4012, A-2. (Use these filing threshold levels, even if a special rule creates a requirement to file at a different income level, e.g., self-employment income of more than \$400.)
- If no dependent has a tax-filing requirement, clear the “red” with F3.

Review: Definitions of Income (Exemptions – Form 8965)

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

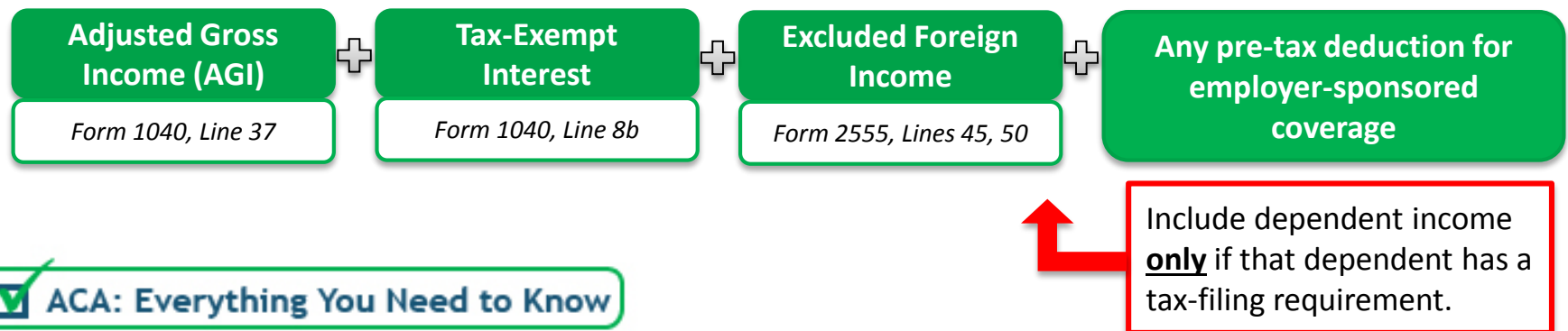


Gross income for Line 7b (gross income below the filing threshold)

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

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

Household Income for Determining Unaffordability Exemption



Modified Adjusted Gross Income (MAGI) for Determining Eligibility for Medicaid Coverage Gap Exemption



Notes:

- This is the same definition that is used for premium tax credit eligibility.
- **Tip:** To confirm your calculation of income for this exemption, you can open Form 8962 (PTC) and check the amount calculated by TaxWise on line 2a. (Remember to add dependent income only if that dependent had a tax-filing requirement.)



Problem: Why is TaxWise Calculating a Penalty?

7

TaxWise is calculating a shared responsibility payment, even though the taxpayer had an exemption all year. Make it stop!

TaxWise does not default to a penalty. Check the ACA Worksheet – a box is checked in error.

Reviewer Tip:

On every return, look at Line 61.

- Did everyone have coverage all year? If so, make sure the box is checked.
- Does anyone have no coverage and no exemption? Make sure there is an amount on Line 61.
- Is a penalty appearing on Line 61 for a covered or exempt person? Check the ACA Worksheet



	Full	None	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
JOHN SMITH Under age 18 at beginning of month	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<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"/>
JANE SMITH Under age 18 at beginning of month	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<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"/>
KATIE SMITH Under age 18 at beginning of month	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Check to indicate that the individual had MEC all year.

Check to indicate the person had no coverage **and** no exemption for all 12 months.

- Do not select "None" for a person who was born or died during the year; coverage requirement applies only in FULL months alive.
- Do not select "None" if a person had coverage or an exemption for any month.

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

Check to indicate that the individual qualifies for an exemption for at least one month.

Also complete Form 8965.

Check to indicate that the individual had coverage in the Marketplace for at least one month. **Also complete Form 8962.**

TaxWise will check these boxes (based on DOB) to indicate people under age 18.

Problem: Does this employer-sponsored plan qualify as MEC?

9

Example

My client had coverage at work. A premium amount is listed on his W-2, Box 12, DD. But he got a letter from his employer saying his coverage did not meet some minimum standard.

Does the client still have MEC?

YES. If a person enrolls in coverage offered by an employer, it is MEC.

(Rare exception: dental or vision insurance only)

The letter probably said that the insurance was not minimum value (MV). This means that the plan is below the standard for employer coverage that would keep an employee from qualifying for PTC.

The employee has the option to turn down a sub-MV plan and get PTC in the Marketplace. But if he takes the sub-MV plan, it still counts as insurance.



- **What is an ECN?**

- An ECN is an “exemption certificate number.” It’s reported in Part I of Form 8965 for exemptions that were previously granted by the Marketplace.
- Marketplace exemptions require applications.
- *Exception:* If someone lived in a state that did not expand Medicaid, and the person applied for Medicaid and was found to be in the “gap” (below PTC eligibility), an exemption was granted automatically.

- **What if the taxpayer received an ECN but lost it?**

- The client can call the Marketplace call center at **1-800-318-2596**.
 - Connecticut residents call: **1-855-805-4325**.
- *Note:* 1095-As can be found in the taxpayer’s Marketplace account but ECNs that the client received are not in their accounts except for the ECN for a Medicaid coverage exemption.



An Exemption Approval



Department of Health and Human Services
465 Industrial Boulevard
London, Kentucky 40741

Mar 13, 2014



|||||

Dear [REDACTED]

You recently submitted an application to the Health Insurance Marketplace for an exemption from the "shared responsibility payment" that some individuals may owe if they aren't enrolled in health coverage starting in 2014.

What are the results of my application?

Review the table below for your results.

Family Member(s)	Exemption Type	Eligibility Results	Timeframe for Exemption	Next Steps
[REDACTED]	Exemption for members of a recognized religious sect	<ul style="list-style-type: none">Qualify for an exemptionYour exemption certificate number (ECN) is: L##LL#	Effective beginning Jan of 2014	<ul style="list-style-type: none">Save this notice and note your exemption certificate number (ECN). You will need to provide this on your federal income tax return.
[REDACTED]	Exemption for members of a recognized religious sect	<ul style="list-style-type: none">Qualify for an exemptionYour exemption certificate number (ECN) is: ##LL##	Effective beginning Jan of 2014	<ul style="list-style-type: none">Save this notice and note your exemption certificate number (ECN). You will need to provide this on your federal income tax return.

A Medicaid Denial



Department of Health and Human Services
465 Industrial Boulevard
London, Kentucky 40750-0001

What are the results of my application?

Review the table below with your eligibility results. [REDACTED] Based on the information you provided, the new federal health care law provides that you could be eligible for free or low cost health care through TennCare. However, the state of TN has chosen not to offer you this new health care coverage at this time.

You are not required to pay a penalty for not having health insurance because of your income and because the state of TN declined to expand TennCare to cover individuals in your situation.

Family Member(s)	Results	Next Steps
[REDACTED]	<ul style="list-style-type: none">Eligible for an exemption for 2014. Save this notice for your records. If you file a federal income tax return for 2014, you'll need to provide this exemption certificate number (ECN) on your return. L##LL# is important that you provide this number when you file your tax return so the Internal Revenue Service (IRS) knows you're eligible for the exemption.Eligible to purchase health coverage through the Marketplace, including catastrophic plans	<ul style="list-style-type: none">Choose a health plan and make first month's payment
[REDACTED]	<ul style="list-style-type: none">Eligible for an exemption for 2014. Save this notice for your records. If you file a federal income tax return for 2014, you'll need to provide this exemption certificate number (ECN) on your return. L##LL# is important that you provide this number when you file your tax return so the Internal Revenue Service (IRS) knows you're eligible for the exemption.Eligible to purchase health coverage through the Marketplace, including catastrophic plans	<ul style="list-style-type: none">Choose a health plan and make first month's payment
[REDACTED]	<ul style="list-style-type: none">Eligible for TennCare for now but you may need to provide more information to maintain your coverage.	



Pending exemptions

- If someone on the tax return was uninsured and is not eligible for an exemption that is claimed directly on the tax return, screen them for eligibility for a hardship exemption from the Marketplace.

Hardship Exemptions Granted by the Marketplace	
1. Homelessness	9. High expense caring for ill, disabled or aging relative
2. Eviction in the last 6 months or facing eviction or foreclosure	10. Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP
3. Utility shut-off notice	11. Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled
4. Domestic violence	12. Determined ineligible for Medicaid because the state did not expand
5. Recent death of a close family member	13. Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable
6. Disaster that resulted in significant property damage	14. Other hardship in obtaining coverage (including for people in AmeriCorps, VISTA, and NCCC who are enrolled limited duration or self-funded coverage)
7. Bankruptcy in the last 6 months	
8. Debt from medical expense in the last 24 months	

- If they are eligible, they need to mail an application (including documentation) to the Marketplace. (Connecticut residents – contact your own Marketplace)
- Mark “pending” on Form 8965, where it requests the ECN, and e-file!

Part I: Marketplace-Granted Coverage Exemption for Individuals		
If you and / or a member of your tax household have an exemption granted by the Marketplace, complete Part I.		
a Name of individual	b SSN	c Exemption certificate number
1 <u>Billy Joel</u>	<u>XXX-XX-XXXX</u>	<u>pending</u>
2 _____	_____	_____
3 _____	_____	_____



Affordability Exemption

Which plan cost should be compared to household income when calculating the affordability of an offer of coverage?

**Household Income = AGI (line 37) +
Tax-exempt interest (line 8b) +
Foreign income (F2555, lines 45 & 50) +
Any pre-tax deduction for employer-sponsored coverage**

Offer of Coverage Through an Employer	As an employee	As a member of the employee's family	Two or more family members have offers of employer coverage
	Does the <u>lowest-cost self-only plan</u> offered by the employer cost more than 8% of income? If YES, enter Code A for each applicable month	Does the <u>lowest-cost plan that covers everyone on the tax return who is eligible for coverage</u> and is not otherwise exempt cost more than 8% of income? If YES, enter Code A for each applicable month	Are the (1) individual offers of coverage affordable but (2) <u>their combined cost</u> is greater than 8% of household income and (3) is no family coverage offered for less than 8% of household income? If YES to all three, enter Code G for each applicable month
No Offer of Coverage Through an Employer	Does the <u>lowest-cost bronze Marketplace plan for all uninsured</u> , nonexempt members of the tax household (after subtracting the amount of premium tax credits the taxpayer would be eligible to receive) cost more than 8% of household income? If YES, enter Code A for each applicable month		



Example: Affordability Exemption



Sonia and Gilberto Reyes are Married Filing Jointly. They have two children, Marco and Gaby, who are their dependents and have no income. They live in Pennsylvania.

Sonia Reyes:
Wages of \$48,500

They have no other
income.

a Employee's social security number 123-45-6789		Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile	
b Identification number (EIN) 11-2233445		1 Wages, tips, other compensation 48,500.00		2 Federal income tax withheld 6,835.00	
c Name, address, and ZIP code The Big Company 123 Main Street Anywhere, PA 12345		3 Social security wages 50,000.00		4 Social security tax withheld 3,100.00	
		5 Medicare wages and tips 50,000.00		6 Medicare tax withheld 725.00	
		7 Social security tips		8 Allocated tips	
d Control number A1B2		9		10 Dependent care benefits	
e Employee's name, address, and ZIP code Sonia Reyes 123 Elm Street Anywhere Else, PA 23456		11 Nonqualified plans		12a See instructions for box 12 D 1,500.00	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b DD 1,000.00	
		14 Other		12c P 4,800.00	
				12d	
f Employee's address and ZIP code		15 State PA Employer's state ID number 1235		16 State wages, tips, etc. 50,000	
		17 State income tax 1,535		18 Local wages, tips, etc. 50,000	
				19 Local income tax 750	
				20 Locality name MU	

Form **W-2** Wage and Tax
Statement

2014

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Example: Affordability Exemption

- Sonia and her children enrolled in insurance through Sonia's employer at a cost to Sonia of \$300/mo.
- Gilberto was not offered insurance coverage through Sonia's job.
- Sonia and the children were insured all 12 months and Gilberto was uninsured.



Does Gilberto qualify for an exemption based on affordability?



Example: Affordability Exemption

Test for Gilberto (*a person without an offer of ESI*)

Household Income: **\$48,500**

No offer of employer-sponsored coverage



Does the lowest-cost bronze plan covering only Gilberto in the Marketplace, after accounting for premium tax credits, cost more than 8% of household income?

Use the **Marketplace Coverage Affordability Worksheet** in the Form 8965 instructions, page 11. A few pieces of information not already on the tax return are required.

- What was the lowest-cost bronze plan available to Gilberto in 2014?
Use the new Marketplace look-up tool (if in a FFM-platform state)
- How much in premium tax credits would Gilberto have qualified for?
Use the Second Lowest Cost Silver Plan look-up tool



Example: Affordability Exemption

Test for Gilberto (*a person without an offer of ESI*)

Lowest Cost Bronze Plan

- Go to: healthcare.gov/taxes/tools/#bronzeplan

Tax Tool for the affordability exemption: Look up your lowest cost 2014 Bronze plan premium

If you want to claim a health coverage exemption because 2014 insurance was considered unaffordable for you, you'll need to know the monthly premium for the lowest cost Bronze plan that was available to you last year.

Use this tool to look up the premium amounts of your lowest cost Bronze plan for 2014. When you get your results, we'll tell you how to use the information to complete your tax forms.

Note: To apply for the affordability exemption, you'll also need to calculate how much financial assistance you were eligible for by looking up the premium of the second lowest cost Silver plan available to you in 2014.

What you'll need to know:

- The ZIP code and county where you lived for each month of 2014
- The age of each family member
- The months each family member was eligible for employer coverage
- The months each family member didn't have another coverage exemption

GET STARTED



Note: If your state does not use healthcare.gov, go to your state's Marketplace for equivalent information.



Example: Affordability Exemption

Add location

ZIP code where you lived in 2014

15201 Allegheny County, PA

DID YOU LIVE AT THIS ZIP CODE FOR ALL 12 MONTHS OF 2014?

☒ Yes

☐ No

Enter only the family members:

- without an offer of employer-sponsored coverage, and
- without other insurance or exemption.

What is tobacco use? Use of a tobacco product 4 or more times per week within no longer than the past 6 months by legal users of tobacco products (generally those 18 years and older). Includes all tobacco products.

FAMILY MEMBER #1 (PRIMARY MEMBER)

Enter this person's age during the first month they weren't eligible for employer coverage and didn't have another coverage exemption.

43

☐ This family member uses tobacco.



Example: Affordability Exemption

Your 2014 lowest cost Bronze plan premiums

These monthly premiums are used to determine your eligibility for a health coverage exemption. Enter these premiums on IRS **Form 8965** (Instructions, Marketplace Coverage Affordability Worksheet) when you file your 2014 tax return.

January

(15201, Allegheny County, PA)

Family member #1 (Primary, Age 43)

MONTHLY PREMIUM

\$154.34

Form 8965 Instructions, p.11

Marketplace Coverage Affordability Worksheet

Use this worksheet to figure an individual's required contribution for any month in which the individual is not eligible for employer-sponsored coverage. Complete a separate worksheet for each part of the year in which either the individual resided in different geographic rating areas served by the Marketplace or for which the number of people in your tax household who are neither exempt nor eligible for employer-sponsored coverage was different.



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area
2. Enter your household income (see [Household income](#))
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*

154



Example: Affordability Exemption



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area	154
2. Enter your household income (see Household income)	48,500
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*	0
4. Add lines 2 and 3	48,500
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4	23,550
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11.	2.06
7. Multiply line 6 by 100 and round to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7	0.0651
8. Multiply line 4 by line 7	3,157
9. Divide line 8 by 12.0	263
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for minimum essential coverage (other than coverage in the individual market), and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go the Marketplace for your area	180
11. Subtract line 9 from line 10	0
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month	154
13. Is the individual eligible for this coverage for every month of the year? <input checked="" type="checkbox"/> Yes. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the Affordability Worksheet	1848
<input type="checkbox"/> No. Use the Annualized Premium Worksheet to determine what the annualized premium would be for each month the individual was eligible for the coverage being tested. Enter the annualized premium in the space for the appropriate months on the Affordability Worksheet	



Example: Affordability Exemption



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area

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Your 2014 second lowest cost Silver plan (SLCSP) premiums

These monthly premiums are used to calculate your premium tax credit. Enter these amounts on IRS Form 8962 when you file your 2014 federal income taxes.

January (IRS Form 8962, line 12, column B)

(15201, Allegheny County, PA)

Family member #1 (Primary, Age 43)

MONTHLY PREMIUM

\$180.05

9. Divide line 8 by 12.0

10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for minimum essential coverage (other than coverage in the individual market), and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go to the Marketplace for your area

180

11. Subtract line 9 from line 10

0

12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month

154

13. Is the individual eligible for this coverage for every month of the year?



Yes. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the [Affordability Worksheet](#)

1848

- ☐ **No.** Use the Annualized Premium Worksheet to determine what the annualized premium would be for each month the individual was eligible for the coverage being tested. Enter the annualized premium in the space for the appropriate months on the [Affordability Worksheet](#)



Example: Affordability Exemption



Is there a shortcut?

Lowest cost bronze plan = \$154/month(\$1,848/year)

Household income = \$48,500

$\$1,848 / \$48,500 = 0.038$, or 3.8% of household income.

The rest of the affordability worksheet is for determining PTC, which could further lower the family contribution for coverage . But even without extra help from PTC, in this case Gilberto is not eligible for an exemption based on affordability.



Note: This shortcut can only *rule out* the affordability exemption, not show that someone is eligible for it. If the LCBP costs more than 8% of income, complete the full worksheet to calculate the amount of PTC a person would have been eligible for to determine affordability.



I haven't received my 1095-A.

If someone received premium tax credits in advance, you can't prepare the return without the 1095-A.

For FFM (healthcare.gov) states:

- Forms available online
- Mailed by Feb. 2

If the form is incorrect, call the Marketplace

- The Call Center will investigate
- Corrected forms will be mailed in March



Premium Tax Credits

How do I know if Form 1095-A is wrong?

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			
22 February			
23 March			

Monthly Premium: The taxpayer may not recognize this number. Note that:

- This is the unsubsidized cost of coverage (before PTC)
- The cost of “extra” benefits (like adult dental) is subtracted
- Actual premium will be higher than column A if any adult uses tobacco

SLCSP:

This column might be blank. If so, use the SLCSP tool to find the SLCSP that covers all members of the family in the plan. In some cases, the state will send a table with the information.

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



Advanced Reconciliation

Advanced Reconciliation



- Additional information yet to come in IRS Pub. 974
- Right now, VITA is advised to hold these returns

We'll briefly address:

- How to identify these scenarios
- Preview how to handle them



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, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. ☐ No. Continue to line 10.

In general: There is a special rule for people who have married during the tax year if:

- Both spouses were single on January 1, married during the year and are filing jointly for the year.

AND

- Someone in the tax family was enrolled in a Marketplace plan before the marriage.

AND

- Someone collected advance payment of PTC in a month prior to marriage.

AND

- Excess APTC was paid (Form 8962 Instructions, p.8, Worksheet 2)



Why Use the Alternative Marriage Calculation?



Example

Carrie had income of \$24,000 (209% FPL); Larry had income of \$24,000 (209% FPL). Carrie and Larry marry! Their income MFJ is \$48,000 (309% FPL).

If each enrolled in PTC as a single person, Carrie and Larry would each have an expected contribution of 6.61% of household income. In their zip code, each could receive up to \$1,321 in PTC if unmarried (\$2,642 total).

As married people at 309% FPL, their expected contribution is 9.5% of household income. In their zip code, their combined PTC could be up to \$1,255 as a married couple.

Under the standard reconciliation method, they would have a **PTC overpayment of \$1,387.**





Solution? Calculate pre-marriage months in one way and their married months in another to lower the amount of PTC they must repay (see Pub 974)

Calculate PTC for pre-marriage months:

- **Income:** Each taxpayer claims one-half of year-end MFJ income
- **Family size:** Pre-marriage family size, except if a dependent could qualify as a dependent of both spouses, they can allocate the dependent in any way agreed upon.

Calculate PTC for married months:

- Use standard calculation

How do shared policies happen?

Health Application

- ✓ Marketplace
- ✓ Medicaid
- ✓ CHIP

Advance payments of PTC were determined based on *projections* about key tax considerations.

- If married, will you file jointly with a spouse?
- Who will be your dependents in 2014?
- What is your 2014 income?

Throughout the year, things happen.

- Taxpayers should report changes, but not all changes are reported in a timely way (or at all)
- The change may not be obvious until tax filing (ex. divorced parents may change their plans about who would claim a child)



What is a Shared Policy?

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, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. ☐ No. Continue to line 10.

In general: A shared policy allocation occurs when a Marketplace policy covers someone in the taxpayer's family and someone not in the taxpayer's family who is being claimed on someone else's tax return. See *Form 8962 Instructions, p. 7*

- The 1095-A includes someone who is not on the client's tax return (e.g., an ex-spouse or a child who becomes a non-dependent)

OR

- A person who is on the tax return but was enrolled in Marketplace coverage with another taxpayer (e.g., a non-custodial father enrolls himself and his son in Marketplace coverage but custodial mother claims the child)



What is a Shared Policy?

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, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. ☐ No. Continue to line 10.

No shared policy allocation when:

- No Marketplace coverage!

OR

- Divorce or separation but everyone on the policy is on one taxpayer's return and no one on the policy is on the other taxpayer's return.

OR

- "Shifting enrollee" (enrolled by one taxpayer but claimed by another) if that dependent is the only person on the policy.





When does divorce create a Shared Allocation?

- When a person (TP or dependent) on the taxpayer's return shares a Marketplace policy with a person (TP or dependent) on the former spouse's tax return
- If the policy isn't shared across tax returns, there's no need for a special allocation.

Part II Coverage Household

	A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16	Carrie				
17	Larry				
18					
19					
20					

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	\$500	\$480	\$500

Now divorced, Carrie and Larry need to allocate (divide) their premiums paid, SLCSP, and APTC.

Can choose any allocation (default is 50%).





When does separation create a Shared Allocation?

- When a person (TP or dependent) on the taxpayer's return shares a Marketplace policy with a person (TP or dependent) on the separated spouse's tax return
- If the policy isn't shared across tax returns, there's no need for a special allocation.

Part II Coverage Household

	A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16	Carrie				
17	Larry				
18					
19					
20					

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	\$500	\$480	\$500

Now separated, Carrie and Larry need to allocate (divide) **in half** their premiums paid and APTC. But they will need to figure out a new SLCSP.

Note: In separation, at least one spouse who received PTC may now be ineligible as MFS. Their advance credit must still be reconciled.



When does a “shifting enrollee” create a Shared Allocation?

- When a person enrolls someone in coverage but another person claims them on their tax return.
- If the policy isn’t shared across tax returns, there’s no need for a special allocation.

Part II Coverage Household					
	A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16	Carrie				
17	Larry Jr (Larry's son)				
18					
19					
20					
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	\$500	\$480	\$500	

Carrie and Larry need to allocate (divide) their premiums paid, SLCSP, and APTC.

Can choose any allocation (default is proportional division).

- Examples after release of Publication 974!



- Tara Straw, tstraw@cbpp.org

For more information and resources, please visit:

<http://www.healthreformbeyondthebasics.org/home/for-tax-preparers/>

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

