

Let's Talk it Through: The Affordability Exemption

Presented on March 30, 2016

- Affordability Exemption Primer
 http://www.healthreformbeyondthebasics.org/affordability-exemption-primer/
- Tax Tool for Federal Marketplace States
 www.healthcare.gov/tax-tool

Also:

- ACA Examples, including several on affordability
 http://www.healthreformbeyondthebasics.org/wp-content/uploads/2016/01/ACA-Examples-for-Volunteer-Tax-Preparers.pdf
- Webinar: Comprehensive Examples and Wrap Up http://www.healthreformbeyondthebasics.org/aca-tax-webinar-part-iii-examples/

The Big Picture

What is the affordability exemption?

- Insurance is considered unaffordable if it costs more than 8.05% of household income.
- The plan cost that is measured changes depending on the taxpayer's circumstances. It mostly mirror the PTC eligibility rules.
 - If someone is offered coverage as an employee or a member of an employee's family, measure the affordability to that plan.
 - If someone is not offered coverage at work, we measure the cost of Marketplace coverage, accounting for any PTC they would have been eligible to receive.

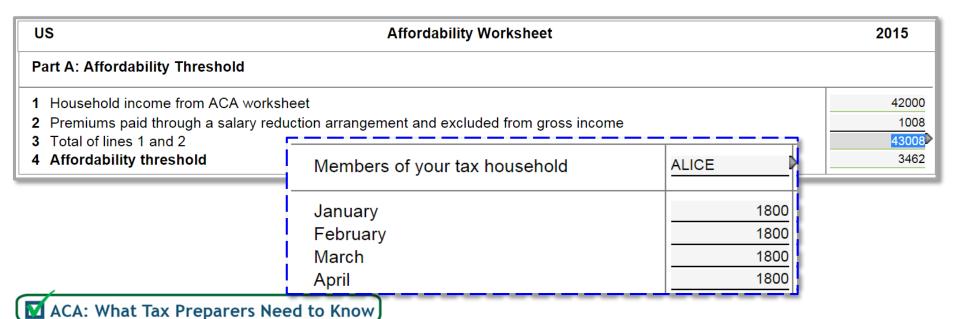
Employer-sponsored Coverage & Affordability

- If someone is offered employer-sponsored coverage, we measure the cost of that
 - If the uninsured person is the employee, ask if he had access to coverage for himself
 - If the uninsured person is a member of the employee's family, ask about the cost of family coverage
- The affordability threshold (Line 4) is 8.05% of income.

US	Affordability Worksheet	2015
Part A: Affordability Threshold		
1 Household income from ACA worksheet		42000
2 Premiums paid through a salary reduction	n arrangement and excluded from gross income	1008
3 Total of lines 1 and 2		43008
4 Affordability threshold		3462

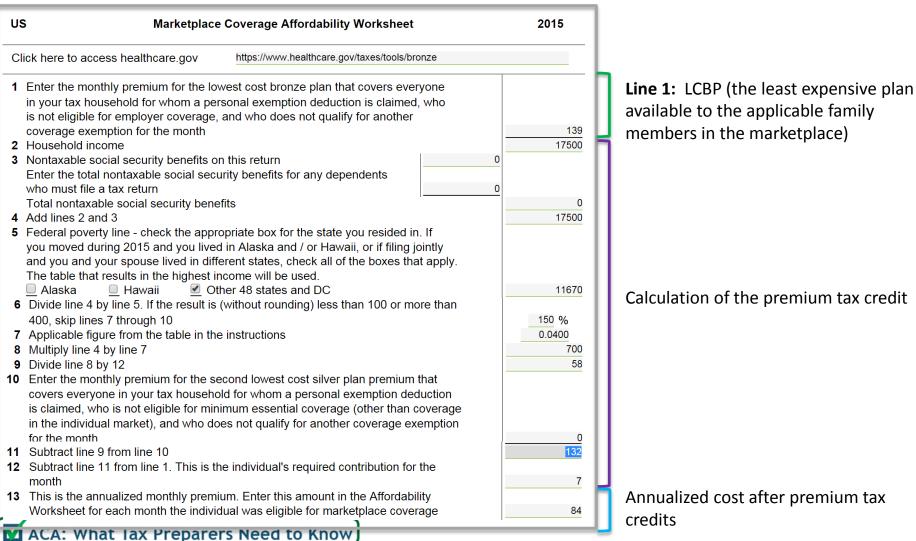
Employer-sponsored Coverage & Affordability

- The table on the Affordability Worksheet asks us to use the annualized premium for each month. WHY?
 - The annualized premium is the amount of premium the taxpayer would pay over the course of the year.
 - We use the annual cost for each month so we have an apples-toapples comparison of premiums against the affordability threshold (an annual figure). If the taxpayer has a drastic change in cost or eligibility in a month, the result will reflect it.



Marketplace Coverage & Affordability

Use the Marketplace Coverage Affordability Worksheet (MCAW)
 ONLY IF the person is not offered employer coverage.



MCAW: Line 1 – Lowest Cost Bronze Plan (LCBP)

Click here to access healthcare.gov	https://www.healthcare.gov/taxes/tools/bronze	
1 Enter the monthly premium for the lowe in your tax household for whom a perso is not eligible for employer coverage, ar coverage exemption for the month	nal exemption deduction is claimed, who	139

Who is included on Line 1?

- On the return
- Not eligible for employer coverage, and
- Not eligible for another exemption

Health coverage eligibility and exemption status Step 1 of 2: Family member 1 Select the months that this family member: · Was eligible for employer coverage OR · Had another coverage exemption January February March April May July August June September November October December **UNSELECT ALL MONTHS** SELECT ALL MONTHS

MCAW: Line 10 – Second Lowest Cost Silver Plan (SLCSP)

Step 2 of 2: Family member 1

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

September

December

UNSELECT ALL MONTHS

Who is included on Line 10?

- On the return
- Not eligible for other MEC, and
- Not eligible for another exemption

November

October

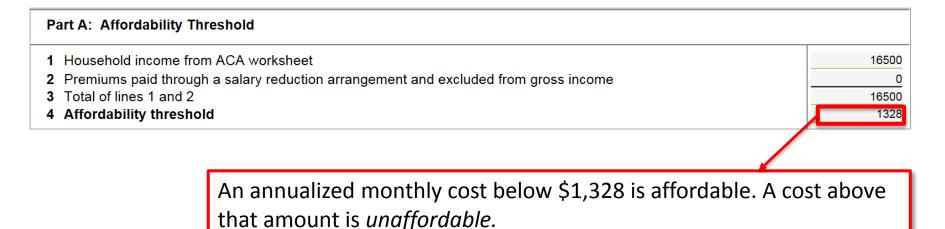
SELECT ALL MONTHS

ACA: What Tax Preparers Need to Know

Example 1: Bob

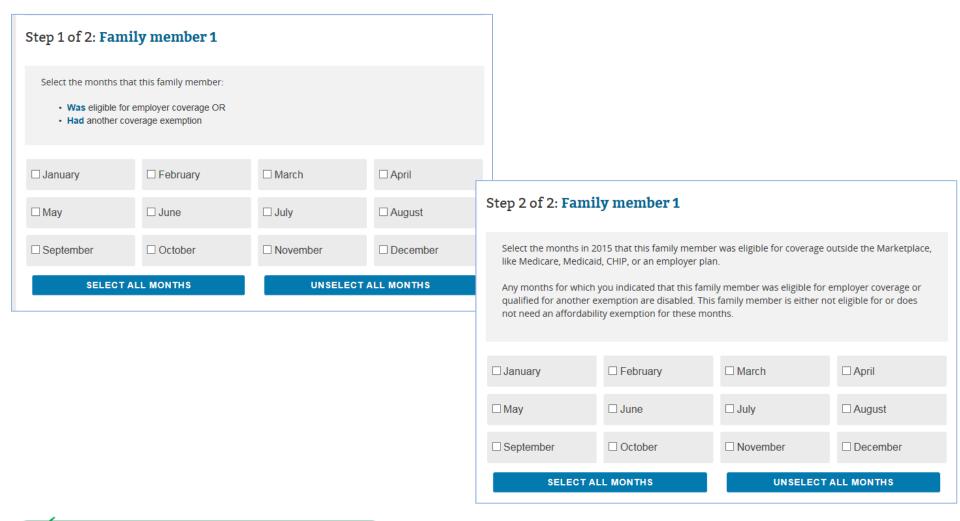
- Bob is single and uninsured. (DOB: 5/1/1967)
- **AGI**: \$16,500
- **State**, **Zip**: Texas 77005
- FIRST: Do any other exemptions apply?
 - *In a state the did not expand Medicaid, remember to check for Code G eligibility (income less than 138% FPL).
 - No
- SECOND: Is he eligible for employer-sponsored coverage?
 - No
- THEN: Try the MCAW

Start by adding the Affordability Worksheet



- Add the MCAW
- 1 Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a <u>personal exemption</u> deduction is claimed, who is <u>not eliqible for employer coverage</u>, and who <u>does not qualify for another coverage exemption for the month</u>

Go to healthcare.gov/tax-tool



	Monthly Lowest cost Bronze plan premium	Monthly Second lowest cost Silver plan premium
January	\$230.47	\$305.73

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	230
2	Household income	16500
3	Nontaxable social security benefits on this return	
	Enter the total nontaxable social security benefits for any dependents	
	who must file a tax return	
	Total nontaxable social security benefits	0
4	Add lines 2 and 3	16500
5	Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2015 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	11670
6	Divide line 4 by line 5. If the result is (without rounding) less than 100 or more than	
	400, skip lines 7 through 10	141 %
7	Applicable figure from the table in the instructions	0.0347
8	Multiply line 4 by line 7	573
9	Divide line 8 by 12	48

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	306
11	Subtract line 9 from line 10	258 ^D
12	Subtract line 11 from line 1. This is the individual's required contribution for the	
	month	0
13	This is the annualized monthly premium. Enter this amount in the Affordability	
	Worksheet for each month the individual was eligible for marketplace coverage	0

Why is Line 13 zero? What does that mean?

- At the taxpayer's income, with the help of the premium tax credit, he could have enrolled in a Marketplace plan with zero premium.
- It was affordable

Members of your tax household	ВОВ
January	0
February	0
March	0

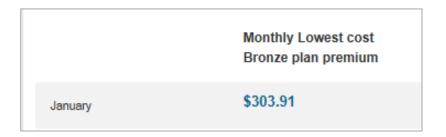
Example 2: Max

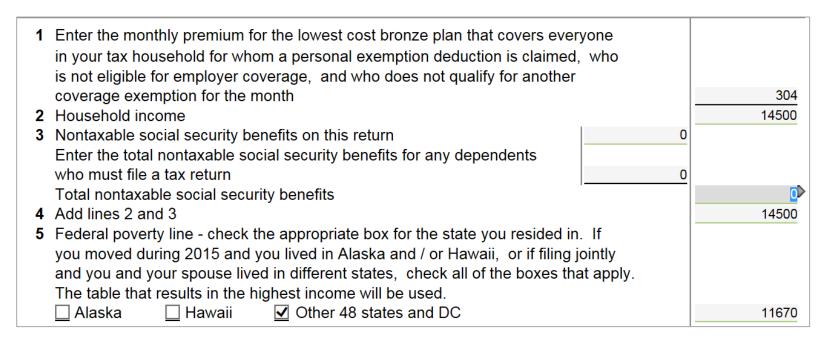
Max from Arizona (a state that expanded Medicaid)

- Max is single and uninsured. (DOB: 5/1/1967)
- **AGI**: \$14,500
- State, Zip: Arizona 86002
- FIRST: Do any other exemptions apply?
 - No
- SECOND: Is he eligible for employer-sponsored coverage?
 - No
- THEN: Try the MCAW

Max from Arizona (a state that expanded Medicaid)

Tax Tool results





Max from Arizona (a state that expanded Medicaid)

- 6 Divide line 4 by line 5. If the result is (without rounding) less than 100 or more than
 400, skip lines 7 through 10
 7 Applicable figure from the table in the instructions
 8 Multiply line 4 by line 7
 9 Divide line 8 by 12
 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
- Line 6 shows income at 124% FPL. In Arizona, that means Max was eligible for Medicaid.
- How do I know that????

Tabl	Table 1: Medicaid and Children's Health Insurance Program (CHIP) Income Eligibility Levels			y Levels	
	A child is eligilb	A child is eligilbe for Medicaid/CHIP if income is <u>below</u> :		_	r Medicaid if income is ow:
	(N/A means thresh	hold is below 1009	%–An adult with inc	ome below 100% is ineligible	for PTC and Line 10 is zero)
	Ages 0-1	Ages 1-5	Ages 6-18	Adults (w/o dependent child)	Parents (w/ dependent child)
Alabama		317%		N	/A
Alaska		208%		138%	143%
Arizona		200%		13	8%
A		21.00/		13	00/

304

3648

Max from Arizona (a state that expanded Medicaid)

Line 10 is zero

Monthly Lowest cost Bronze plan premium Cost Silver plan premium

\$303.91 \$0.00

- 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
- 11 Subtract line 9 from line 10
- **12** Subtract line 11 from line 1. This is the individual's required contribution for the month
- 13 This is the annualized monthly premium. Enter this amount in the Affordability Worksheet for each month the individual was eligible for marketplace coverage

Part A: Affordability Threshold	
1 Household income from ACA worksheet	14500
2 Premiums paid through a salary reduction arrangement and excluded from gross income	0
3 Total of lines 1 and 2	14500
4 Affordability threshold	1167

Members of your tax household	MAX
January	3648
February	3648

The annualized cost of insurance is greater than the affordability threshold. Therefore, Max is exempt. Claim Code A on F8965.

A Few General Rules (not a substitute for doing the math)

- A person who was eligible for Medicaid but didn't enroll is likely eligible for the affordability exemption
 - Line 10 is zero (no PTC); the LCBP is often unaffordable without
 PTC
- A person who was eligible for PTC but didn't enroll is likely NOT eligible for the affordability exemption.
 - For most people, especially low-income people, the PTC is designed to make insurance affordable.

Lopez Family

Lopez Family

- Jaime & Margarida are married; Anna is their dependent daughter
- Jaime is not lawfully present; Margarida and Anna are U.S. citizens. They are all residents of Florida 32311.
- Jaime and Margarida both work but neither are offered insurance.
- They were all uninsured all year. Their income is \$37,000.
- FIRST: Do any other exemptions apply?
 - Yes! Jaime is eligible for Code C.
- SECOND: Are they eligible for employer-sponsored coverage?
 - No
- THEN: Try the MCAW for Margarida and Anna



Part A: Affordability Threshold	
1 Household income from ACA worksheet	37000
2 Premiums paid through a salary reduction arrangement and excluded from gross income	0
3 Total of lines 1 and 2	37000
4 Affordability threshold	2979

Before we use the Tax Tool, let's assess their eligibility:

Who is included in Line 1?

Jaime: NO, because he has another exemption (Code C)

Margarida: YES

– Anna: YES

Who is included in Line 10?

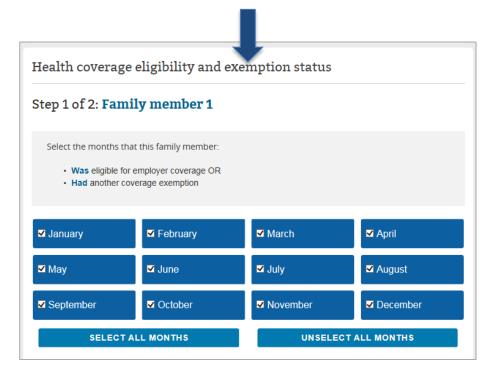
Jaime: NO, because he has another exemption (Code C)

Margarida: YES

Anna: NO, because she is eligible for Medicaid

Lopez Family

- Enter the entire family in the Tax Tool.
- When asked, indicate that Jaime has exemption all year.



Enter Margarida's information in Steps 1 & 2. (Don't check any boxes)

For Anna, boxes in Step 1 are blank (no exemption, no employer coverage offer). But boxes in Step 2 are checked because she had an offer of MEC (she was eligible for Medicaid/CHIP)





Tax Tool Results

	Monthly Lowest cost Bronze plan premium	Monthly Second lowest cost Silver plan premium
January	\$345.11	\$2 93. 2 3
	Who is included in Line 1? Margarida Anna	Who is included in Line 10 Margarida only

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	293
11	Subtract line 9 from line 10	<u>117</u> ▶
12	Subtract line 11 from line 1. This is the individual's required contribution for the	
	month	228
13	This is the annualized monthly premium. Enter this amount in the Affordability	
	Worksheet for each month the individual was eligible for marketplace coverage	2736

1 Household income from ACA worksheet	37000
2 Premiums paid through a salary reduction arrangement and excluded from gross income	0
3 Total of lines 1 and 2	37000
4 Affordability threshold	2979

Members of your tax household	MARGARIDA	ANNA
January	2736	2736
February	2736	2736

The cost of insurance is less than the affordability threshold. Therefore, coverage was affordable. No Code A exemption.