



ACA: What Tax Preparers Need to Know

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

- 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.



- **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 arrangement and excluded from gross income	1008
3 Total of lines 1 and 2	43008
4 Affordability threshold	3462

- 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-to-apples 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.

US	Affordability Worksheet	2015										
Part A: Affordability Threshold												
1 Household income from ACA worksheet		42000										
2 Premiums paid through a salary reduction arrangement and excluded from gross income		1008										
3 Total of lines 1 and 2		43008										
4 Affordability threshold		3462										
<table><thead><tr><th>Members of your tax household</th><th>ALICE</th></tr></thead><tbody><tr><td>January</td><td>1800</td></tr><tr><td>February</td><td>1800</td></tr><tr><td>March</td><td>1800</td></tr><tr><td>April</td><td>1800</td></tr></tbody></table>			Members of your tax household	ALICE	January	1800	February	1800	March	1800	April	1800
Members of your tax household	ALICE											
January	1800											
February	1800											
March	1800											
April	1800											

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

US	Marketplace Coverage Affordability Worksheet	2015
Click here to access healthcare.gov https://www.healthcare.gov/taxes/tools/bronze		
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	139
2	Household income	17500
3	Nontaxable social security benefits on this return	0
	Enter the total nontaxable social security benefits for any dependents who must file a tax return	0
	Total nontaxable social security benefits	0
4	Add lines 2 and 3	17500
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. <input type="checkbox"/> Alaska <input type="checkbox"/> Hawaii <input checked="" type="checkbox"/> 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	150 %
7	Applicable figure from the table in the instructions	0.0400
8	Multiply line 4 by line 7	700
9	Divide line 8 by 12	58
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	0
11	Subtract line 9 from line 10	132
12	Subtract line 11 from line 1. This is the individual's required contribution for the month	7
13	This is the annualized monthly premium. Enter this amount in the Affordability Worksheet for each month the individual was eligible for marketplace coverage	84

Line 1: LCBP (the least expensive plan available to the applicable family members in the marketplace)

Calculation of the premium tax credit

Annualized cost after premium tax credits

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

8

Click here to access healthcare.gov

<https://www.healthcare.gov/taxes/tools/bronze>

- 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

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

☐ June

☐ July

☐ August

☐ September

☐ October

☐ November

☐ December

SELECT ALL MONTHS

UNSELECT ALL MONTHS



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

0

Who is included on Line 10?

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

Step 2 of 2: **Family member 1**

Select the months in 2015 that this family member was eligible for coverage outside the Marketplace, like Medicare, Medicaid, CHIP, or an employer plan.

Any months for which you indicated that this family member was eligible for employer coverage or qualified for another exemption are disabled. This family member is either not eligible for or does not need an affordability exemption for these months.

☐ January☐ February☐ March☐ April☐ May☐ June☐ July☐ August☐ September☐ October☐ November☐ December**SELECT ALL MONTHS****UNSELECT ALL MONTHS**

Example 1: Bob

Bob from Texas (a state that did not expand Medicaid)

- 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

Part A: Affordability Threshold	
1 Household income from ACA worksheet	16500
2 Premiums paid through a salary reduction arrangement and excluded from gross income	0
3 Total of lines 1 and 2	16500
4 Affordability threshold	1328

An annualized monthly cost below \$1,328 is affordable. A cost above that amount is *unaffordable*.

- 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 eligible for employer coverage</u> , and who <u>does not qualify for another coverage exemption for the month</u>	
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- Go to healthcare.gov/tax-tool

Step 1 of 2: Family member 1

Select the months that this family member:

- **Was** eligible for employer coverage OR
- **Had** another coverage exemption

<input type="checkbox"/> January	<input type="checkbox"/> February	<input type="checkbox"/> March	<input type="checkbox"/> April
<input type="checkbox"/> May	<input type="checkbox"/> June	<input type="checkbox"/> July	<input type="checkbox"/> August
<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December

SELECT ALL MONTHS

UNSELECT ALL MONTHS

Step 2 of 2: Family member 1

Select the months in 2015 that this family member was eligible for coverage outside the Marketplace, like Medicare, Medicaid, CHIP, or an employer plan.

Any months for which you indicated that this family member was eligible for employer coverage or qualified for another exemption are disabled. This family member is either not eligible for or does not need an affordability exemption for these months.

<input type="checkbox"/> January	<input type="checkbox"/> February	<input type="checkbox"/> March	<input type="checkbox"/> April
<input type="checkbox"/> May	<input type="checkbox"/> June	<input type="checkbox"/> July	<input type="checkbox"/> August
<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December

SELECT ALL MONTHS

UNSELECT ALL MONTHS

	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
- 2 Household income
- 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
- 4 Add lines 2 and 3
- 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
- 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

230
16500
0
0
0
16500
11670
141 %
0.0347
573
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
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	BOB
January	0
February	0
March	0

Example 2: Max

- 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



- Tax Tool results

Monthly Lowest cost Bronze plan premium	
January	\$303.91

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		304
2 Household income		14500
3 Nontaxable social security benefits on this return	0	
Enter the total nontaxable social security benefits for any dependents who must file a tax return	0	
Total nontaxable social security benefits		0
4 Add lines 2 and 3		14500
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.		
<input type="checkbox"/> Alaska	<input type="checkbox"/> Hawaii	<input checked="" type="checkbox"/> Other 48 states and DC
		11670

Max from Arizona (a state that expanded Medicaid)

19

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	124 %
7	Applicable figure from the table in the instructions	0.0200
8	Multiply line 4 by line 7	290
9	Divide line 8 by 12	24
10	Enter the monthly premium for the second lowest cost silver plan premium that covers <u>everyone in your tax household</u> for whom a personal exemption deduction is claimed, who is <u>not eligible for minimum essential coverage</u> (other than coverage in the individual market), and who <u>does not qualify for another coverage exemption</u> for the month	0

- Line 6 shows income at 124% FPL. In Arizona, that means Max was eligible for Medicaid.
- How do I know that???

Table 1: Medicaid and Children's Health Insurance Program (CHIP) Income Eligibility Levels					
	A child is eligible for Medicaid/CHIP if income is below:			An adult is eligible for Medicaid if income is below:	
	(N/A means threshold is below 100%—An adult with income 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%		138%	



Max from Arizona (a state that expanded Medicaid)

20

- Line 10 is zero

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

0
0
304
3648

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 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



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



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

<input checked="" type="checkbox"/> January	<input checked="" type="checkbox"/> February	<input checked="" type="checkbox"/> March	<input checked="" type="checkbox"/> April
<input checked="" type="checkbox"/> May	<input checked="" type="checkbox"/> June	<input checked="" type="checkbox"/> July	<input checked="" type="checkbox"/> August
<input checked="" type="checkbox"/> September	<input checked="" type="checkbox"/> October	<input checked="" type="checkbox"/> November	<input checked="" type="checkbox"/> December

SELECT ALL MONTHS **UNSELECT ALL MONTHS**

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)



Step 2 of 2: **Son/daughter, Family member 3**

Select the months in 2015 that this family member was eligible for coverage outside the Marketplace, like Medicare, Medicaid, CHIP, or an employer plan.

Any months for which you indicated that this family member was eligible for employer coverage or qualified for another exemption are disabled. This family member is either not eligible for or does not need an affordability exemption for these months.

<input checked="" type="checkbox"/> January	<input checked="" type="checkbox"/> February	<input checked="" type="checkbox"/> March	<input checked="" type="checkbox"/> April
<input checked="" type="checkbox"/> May	<input checked="" type="checkbox"/> June	<input checked="" type="checkbox"/> July	<input checked="" type="checkbox"/> August
<input checked="" type="checkbox"/> September	<input checked="" type="checkbox"/> October	<input checked="" type="checkbox"/> November	<input checked="" type="checkbox"/> December

SELECT ALL MONTHS **UNSELECT ALL MONTHS**

- Tax Tool Results

	Monthly Lowest cost Bronze plan premium	Monthly Second lowest cost Silver plan premium
January	\$345.11	\$293.23

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
- 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

293

117

228

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.