

Affordability Exemption Primer

Codes A and G

STEP 1:

To begin, screen the uninsured person for eligibility for other exemptions. (One requirement of the affordability exemption is that the person is not eligible for other exemptions.)

STEP 2:

Section A in the Affordability Worksheet in the Form 8965 instructions ([page 10](#)) calculates the affordability threshold, the maximum affordable amount. Compare the cost of insurance (referred to as the required contribution amount) to the affordability threshold.

- **Affordability threshold (tax year 2016) = .0813 X household income**

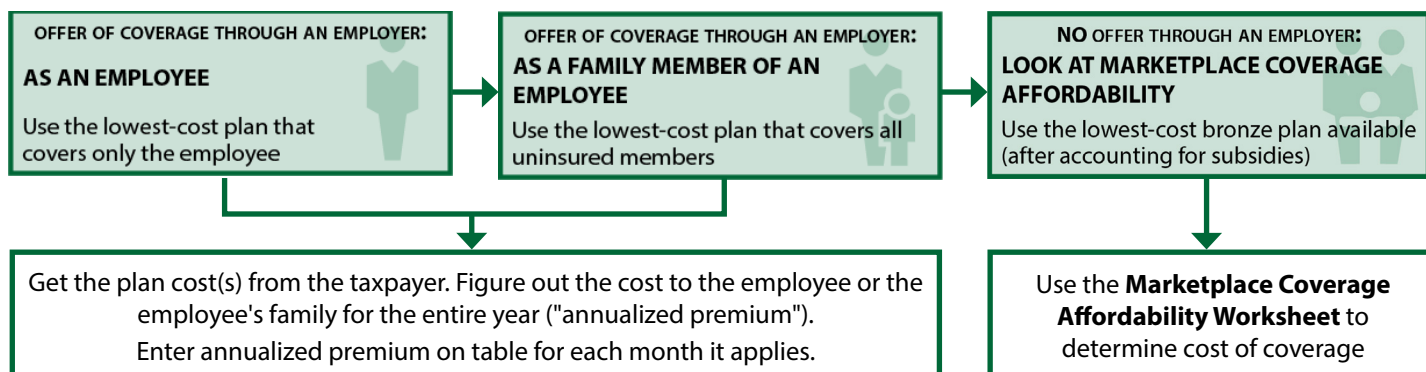
FORM 8965 INSTRUCTIONS: AFFORDABILITY WORKSHEET	
(A) Affordability Threshold	
Enter 8.13% of your household income (see Household income). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.	

WHAT'S INCLUDED IN HOUSEHOLD INCOME?

- AGI (Form 1040, line 37)
- Tax-exempt interest (Form 1040, line 8b)
- Foreign income (Form 2555, line 45 and 50)
- If dependent has a tax filing requirement, include dependent income
- If someone in the household paid for coverage through a salary reduction agreement, include that amount as income

STEP 3:

Determine what type of affordability exemption each uninsured person in the household might be eligible for. There are three options. STOP at the first one that applies to each uninsured household member.



STEP 4: CODE A

Calculate the affordability of the offer of coverage:

- **Annualized premium for a month > Affordability threshold = Unaffordable**
- A person can claim **CODE A** exemption on Form 8965 for that month

Codes A and G

EXAMPLE: ARE FRED OR WILMA ELIGIBLE FOR THE AFFORDABILITY EXEMPTION?

Let's take a married couple, Fred and Wilma, who were uninsured all year. Their household income was \$25,000 for the year. Wilma's employer offered both employee coverage and family coverage:

- The employee-only premiums cost \$150/month
→ (Annualized premium: $150 \times 12 = 1,800$)
- The employee + spouse premiums cost \$400/month
→ (Annualized premium: $400 \times 12 = 4,800$)

Why do we use an "annualized" premium for each month?

The affordability threshold is always based on a percentage of annual income. Using annualized premiums allows an apples-to-apples comparison between premium cost and income in the relevant months.

EXAMPLE: AFFORDABILITY WORKSHEET, AFFORDABILITY THRESHOLD AND ANNUALIZED PREMIUMS

(A) Affordability Threshold

Enter 8.13% of your household income (see [Household income](#)). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.

2,033

For each individual, coverage is considered unaffordable and the individual is exempt for any month in which (B), the Required Contribution Amount, is more than (A), the Affordability Threshold.

= income x 8.13%
(% of affordability in 2016)

Members of your tax household (enter one name per column):	Wilma	Fred			
Annualized required contribution for:					
January	1,800	4,800	Annualized premiums		
February	1,800	4,800			
March	1,800	4,800			
April	1,800	4,800			
May	1,800	4,800			
June	1,800	4,800			
July	1,800	4,800			
August	1,800	4,800			
September	1,800	4,800			
October	1,800	4,800			
November	1,800	4,800			
December	1,800	4,800			

Wilma: \$1,800 < \$2,033

- Not eligible for Code A exemption

Fred: \$4,800 > \$2,033

- Eligible for Code A exemption
- Complete Form 8695

STEP 5 (if applicable): CODE G

If multiple people in the household have employer coverage offers:

There is a special exemption that may be claimed if the self-only offer is affordable but the combined cost crosses the affordability threshold. This can only be claimed if:

- Multiple people have employer offers of coverage.
- The cost of self-only coverage is affordable for each person. (Each is less than the affordability threshold.)
- The cost of self-only coverage for both, combined, exceeds the affordability threshold.
- Family coverage is not offered, or, if it is offered, its cost exceeds the affordability threshold.

If this exemption applies for any month of the year, the **CODE G** exemption can be claimed for the entire year for the entire household.

Marketplace Coverage Affordability Worksheet

Caution: Use this exemption only if the uninsured person does not have an offer of coverage from an employer.

The Marketplace Coverage Affordability Worksheet is in the Form 8965 instructions ([page 11](#)).

FORM 8965 INSTRUCTIONS: MARKETPLACE COVERAGE 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 isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan, go to www.HealthCare.gov/tax-tool or the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2 through 11
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*
4. Add lines 2 and 3
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
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
7. Multiply line 6 by 100 and round down to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7
8. Multiply line 4 by line 7
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 isn't eligible for minimum essential coverage (other than coverage in the individual market), and who doesn't qualify for another coverage exemption for the month. To find the second lowest cost silver plan, go to www.HealthCare.gov/tax-tool or the Marketplace for your area
11. Subtract line 9 from line 10. If zero or less, enter -0-
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month
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 required contribution. Enter this amount in the space for every month on the [Affordability Worksheet](#)
 - ☐ **No.** Multiply line 12 by 12.0. This is the annualized required contribution. Enter this amount in the space on the [Affordability Worksheet](#) for each month the individual was eligible for the coverage being tested

*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

LINE 1: LCBP

Asks for the **lowest cost bronze plan (LCBP)** for everyone in the tax household who is:

- not offered employer-sponsored insurance, and
- not otherwise exempt.

Find this value using the Tax Tool for your Marketplace.

Remember: Include people who are insured through Medicare or Medicaid! If **married filing separately**, enter LCBP here and on Line 12 (skip lines 2-11).

LINE 6:

If **less than 1.0 (100% FPL) or over 4.0 (400% FPL)**, skip lines 7-10.

Note: This % will also help identify who is eligible for Medicaid in Line 10.

LINE 13: ANNUALIZED MONTHLY PREMIUM

Compare this amount to the affordability threshold.

LINE 10: SLCSF

Asks for **second lowest cost silver plan (SLCSF)** for everyone in the tax household who is:

- not eligible for any other MEC, and
- not eligible for another exemption.

Using the same Tax Tool you used to determine the amount in Line 1, find the SLCSF.

Remember:

- Exclude people who are eligible for or enrolled in employer-sponsored coverage, Medicare, Medicaid, or other public coverage.
- If Married Filing Separately, enter zero on Line 10.

TO DETERMINE MEDICAID ELIGIBILITY FOR THE TAX TOOL:

If the taxpayer lives in a Medicaid expansion state:

- If Line 6 is less than 138% FPL (or a higher number, depending on your state's rules in Table 1), consider the person eligible for Medicaid → Line 10 is zero

If the taxpayer lives in a state that did not expand Medicaid:

- If Line 6 is less than 138%, the household is eligible for Code G (residing in a state that did not expand Medicaid)
- If Line 6 is 138%-400% FPL, consider the adults eligible for PTC → Enter SLCSF value in Line 10

Medicaid coverage for children:

- For a child, if Line 6 is less than the FPL % in Table 1, consider the child eligible for Medicaid/CHIP → The SLCSF for the child is zero
- Note:* Children are eligible for Medicaid at a higher income. Look at Table 1 to determine when uninsured children may be eligible for Medicaid and have a SLCSF of zero.

TABLE 1: LINE 10, MARKETPLACE COVERAGE AFFORDABILITY WORKSHEET

TABLE 1: WHEN TO LOOK UP SLSCP FOR LINE 10 OF THE MARKETPLACE COVERAGE AFFORDABILITY WORKSHEET (AS OF JAN 2017)					
	Include an uninsured child in Line 10 if household FPL % is above this amount:			Include an uninsured adult in Line 10 if household FPL % is above this amount:	
	<i>(Otherwise SLSCP is zero)</i>			<i>(Otherwise SLSCP is zero)</i>	
	Child (ages 0-1)	Child (ages 1-5)	Child (ages 6-18)	Adults (w/o dependent child)	Parents (w/ dependent child)
Alabama*		317%		100%	
Alaska		208%		138%	143%
Arizona		205%		138%	
Arkansas		216%		138%	
California		266%		138%	
Colorado		265%		138%	
Connecticut		323%		138%	155%
Deleware		217%		138%	
District of Columbia		324%		215%	221%
Florida*		215%		100%	
Georgia*		252%		100%	
Hawaii		313%		138%	
Idaho*		190%		100%	
Illinois		318%		138%	
Indiana		262%		139%	
Iowa	380%		307%	138%	
Kansas*		243%		100%	
Kentucky		218%		138%	
Louisiana		255%		138%	
Maine*		213%		100%	105%
Maryland		322%		138%	
Massachusetts		305%		138%	
Michigan		217%		138%	
Minnesota	288%		280%	138%	
Mississippi*		214%		100%	
Missouri*		305%		100%	
Montana		266%		138%	
Nebraska*		218%		100%	
Nevada		205%		138%	
New Hampshire		323%		138%	
New Jersey		355%		138%	
New Mexico		305%	245%	138%	
New York		405%		138%	
North Carolina*		216%		100%	
North Dakota		175%		138%	
Ohio		211%		138%	
Oklahoma*		210%		100%	
Oregon		305%		138%	
Pennsylvania		319%		138%	
Rhode Island		266%		138%	

TABLE 1: LINE 10, MARKETPLACE COVERAGE AFFORDABILITY WORKSHEET

TABLE 1: WHEN TO LOOK UP SLCSP FOR LINE 10 OF THE MARKETPLACE COVERAGE AFFORDABILITY WORKSHEET (AS OF JAN 2017)					
	Include an uninsured child in Line 10 if household FPL % is above this amount: (Otherwise SLCSP is zero)			Include an uninsured adult in Line 10 if household FPL % is above this amount: (Otherwise SLCSP is zero)	
	Child (ages 0-1)	Child (ages 1-5)	Child (ages 6-18)	Adults (w/o dependent child)	Parents (w/ dependent child)
South Carolina*		213%		100%	
South Dakota*		209%		100%	
Tennessee*		255%		100%	
Texas*		206%		100%	
Utah*		205%		100%	
Vermont		317%		138%	
Virginia*		205%		100%	
Washington		317%		138%	
West Virginia		305%		138%	
Wisconsin*		306%		100%	
Wyoming*		205%		100%	
*State has not expanded Medicaid as of TY2016					
SOURCE: Kaiser Family Foundation, "Medicaid and CHIP Income Eligibility Limits for Children as a Percent of the Federal Poverty Line" (Jan. 2017): kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level					
Kaiser Family Foundation, "Medicaid Income Eligibility Limits for Adults as a Percent of the Federal Poverty Line" (Jan 2017): kff.org/health-reform/state-indicator/medicaid-income-eligibility-limits-for-adults-as-a-percent-of-the-federal-poverty-level					

REFERENCE: HOW TO USE THE HEALTHCARE.GOV TAX TOOL

WHO SHOULD USE THIS TOOL?

Taxpayers who live in federal marketplace (Healthcare.gov) states, or in a state that uses the Healthcare.gov technology. If you live in a state with a state-based marketplace, contact the marketplace by phone or online.

To begin, go to [Healthcare.gov/Tax-Tool](https://www.healthcare.gov/tax-tool/).

- Select "Claim an 'affordability' exemption"

HC.GOV TAX TOOL: AFFORDABILITY EXEMPTION

These instructions focus on using the tool to claim the affordability exemption but the tool also allows a taxpayer to find their SLCSP to complete or correct Column B of the Form 1095-A.

1 2 **3** 4 5 | Family members

Get information you need to claim an affordability exemption

To claim an affordability exemption, you'll need to know the premiums of 2 health plans available to your family in 2016: the lowest cost Bronze plan and the second lowest cost Silver Plan (SLCSP). We'll ask a few questions and provide both premiums.

What's an "affordability exemption," and do I qualify?

What you'll need to use this tool:

- The ZIP code and county where each family member lived, for each month of 2016
- The birthdate of each family member
- The months each family member didn't have another coverage exemption
- The months each family member was not eligible for coverage outside the Marketplace, including employer coverage

- The Tax Tool will ask you to enter all members of the household, even those with other coverage or exemption.

HC.GOV TAX TOOL: STEP 1

Step 1 for each family member determines whether someone will be included in the lowest cost bronze plan (LCBP), which you will enter on Line 1 of the ACA Marketplace Coverage Affordability Worksheet.

Follow the instructions closely! **Check the boxes** for the months the person was:

- Eligible for employer-sponsored coverage (from their own employer or a member of their family on the same tax return)
- Eligible for another exemption

Leave the boxes unchecked if those circumstances don't apply.

1 2 **3** 4 5 | Family members

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

SELECT ALL MONTHS **UNSELECT ALL 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

REFERENCE: HOW TO USE THE HEALTHCARE.GOV TAX TOOL

HC.GOV TAX TOOL: STEP 2

Step 2 for each family member determines whether someone will be included in the second lowest cost silver plan (SLCSP), which you will enter on Line 10 of the ACA Marketplace Coverage Affordability Worksheet.

Follow the instructions closely! **Check the boxes** for the months the person was:

- Eligible for or enrolled in Medicare, Medicaid, or CHIP. Months will be disabled if you said in Step 1 that a person was eligible for employer-sponsored coverage or exemption. Refer to the eligibility table addendum to make an accurate assumption about Medicaid eligibility.

Leave the boxes unchecked if those circumstances don't apply.

HC.GOV TAX TOOL: REVIEW INFORMATION

Next, several screens will ask for the family's zip code and whether they lived in the same place for all months.

Then, **confirm the information for each family member.**

Remember: Print out the review information and the results page screens for the taxpayer's records.

1 2 **3** 4 5 | Family members

Health coverage eligibility and exemption status

Step 2 of 2: Family member 1

Select the months in 2016 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.

SELECT ALL MONTHS UNSELECT ALL 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

1 2 3 **4** 5 | Review your information

Review your information

Year 2016 EDIT

First Family Member

Date of Birth: 1/2/1968 EDIT

Coverage Information

Was eligible for employer coverage OR Had another coverage exemption for the following months:
January - December

Was eligible for coverage outside the Marketplace for the following months:
None

Locations

Location: 15931, Cambria County PA
January - December

Other family members

Spouse REMOVE EDIT

Date of Birth: 1/2/1970

Coverage Information

Was eligible for employer coverage OR Had another coverage exemption for the following months:
None

Was eligible for coverage outside the Marketplace for the following months:
None

Locations

Lived With First All Year

REFERENCE: HOW TO USE THE HEALTHCARE.GOV TAX TOOL

HC.GOV TAX TOOL: RESULTS PAGE

The **results page** shows the **LCBP** and **SLCSP** for the household.

Remember: Print out the review information and the results page screens for the taxpayer's records.

NOTE:

If household income on the ACA Marketplace Worksheet is less than 100% FPL or greater than 400% FPL, use only the LCBP. Do not enter the SLCSP amount on Line 10 of the Worksheet (because the person is not eligible for PTC).

If the taxpayer's filing status is married filing separately, use only the LCBP. Enter zero on Line 10 of the Worksheet (because the person is not eligible for PTC).

1 2 3 4 5 | Your tax information

Your tax information

Information to claim an affordability exemption
Use the monthly premiums below to complete the Marketplace Coverage Affordability Worksheet (IRS Form 8965 Instructions, page 11). When you complete the worksheet, you'll find out if you qualify for the affordability exemption. The instructions explain how to claim the exemption if you do.

Enter premiums on the lines of the Marketplace Affordability Worksheet indicated below.

What to do next

DOWNLOAD THE 2016 FORM 8965 AND INSTRUCTIONS

[INSTRUCTIONS FOR FORM 8965 - 2016 \(PDF\)](#)
[FORM 8965 - 2016 \(PDF\)](#)

	Monthly Lowest cost Bronze plan premium	Monthly Second lowest cost Silver plan premium
January	\$199.66	\$247.89
February	\$199.66	\$247.89
March	\$199.66	\$247.89
April	\$199.66	\$247.89
May	\$199.66	\$247.89
June	\$199.66	\$247.89
July	\$199.66	\$247.89
August	\$199.66	\$247.89
September	\$199.66	\$247.89
October	\$199.66	\$247.89
November	\$199.66	\$247.89
December	\$199.66	\$247.89

You may have to complete more than one worksheet. If the monthly premiums in either column changed during the year, you'll need to complete a separate worksheet for each part of the year. These premiums may change if during the year you or any family members: lived in different locations, had different eligibility for other exemptions or had different eligibility for certain coverage.

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REFERENCE: STATE-BASED MARKETPLACE TOOLS

STATE	LINKS	TIPS
California	2016 plan compare tool not available at this time - see tips Exemptions information	Covered California has not made 2016 plan cost information available online. Call the marketplace or use www.healthpocket.com for 2016 plan information.
Colorado	LCBP: tinyurl.com/ColLCBP SLCSP: tinyurl.com/ColSLCSP General tax information ; Exemptions information	The LCBP tool only allows entry of one family member at a time. List everyone who should be included in Line 1. The SLCSP allows the entry of multiple household members. Only enter those who should be included in Line 10.
Connecticut	<i>The LCBP and SLCSP tools have not been updated for 2016 (as of 2/24/2017) - see tips</i>	Health Access CT has not made 2016 plan cost information available online. Call the marketplace or use www.healthpocket.com for 2016 plan information. (2015 Affordability Exemption Calculator available at FAQ: Tax Penalties, Q3)
District of Columbia	LCBP: tinyurl.com/DC-Bronze SLCSP: tinyurl.com/DC-Silver General tax information	The LCBP is a pdf. Look up cost of plan for each family member. The SLCSP is a tax tool that asks enough questions to do an approximate Medicaid determination, which eliminates the guesswork for tax preparers in understanding whether the taxpayer should have a value on Line 10. To calculate SLCSP in desired months, indicate that everyone who meets the definition for Line 10 were enrolled in a health plan in those months.
Hawai'i	Use Healthcare.gov	As of TY2016, Hawai'i no longer uses a state-based marketplace website for enrollment.
Idaho	General tax information: tinyurl.com/ID-tax-info (click on the Second Lowest Cost Silver Calculator)	The SLCSP and LCBP calculator is a downloadable Excel tool. Run the tool twice if the people included in Line 1 and Line 10 are different.
Kentucky	LCBP: tinyurl.com/Ky-Bronze SLCSP: tinyurl.com/Ky-Silver General tax information	Note that the instructions for the LCBP are misleading. Enter everyone who meets the definition for Line 1, including people in public coverage. Do not just enter people who are uninsured. To calculate SLCSP for desired months, indicate that everyone who meets the definition for Line 10 was enrolled in a health plan in those months.
Maryland	LCBP: tinyurl.com/MD-Bronze SLCSP: tinyurl.com/MD-Silver General exemptions information	Note that the instructions for the LCBP are incorrect. Enter everyone who meets the definition for Line 1 (including people in public coverage). Do not just enter people who are uninsured. To calculate SLCSP for desired months, indicate that everyone who meets the definition for Line 10 was enrolled in a health plan in those months.
Massachusetts	LCBP: tinyurl.com/MassLCBP SLCSP: tinyurl.com/MassSLCSP Tax Documents and Exemptions ; General tax information	To calculate SLCSP for desired months, indicate that everyone who meets the definition for Line 10 were enrolled in a health plan in those months. Remember to enter only the people who meet the definitions for inclusion in Lines 1 and 10.
Minnesota	Use Plan Compare tool: tinyurl.com/MN-PlanFinder General exemptions information	This tax tool requires use of the plan compare tool. Remember that the people who are included in Line 1 and Line 10 of the Marketplace Affordability Worksheet may be different. You may need to run two searches of the plan selection tool. Sort plans from lowest to highest cost.
New Mexico	Use Healthcare.gov	
New York	LCBP: tinyurl.com/NY-Bronze SLCSP: tinyurl.com/NY-Silver Instructions and links	
Nevada	Use Healthcare.gov	
Oregon	Use Healthcare.gov	
Rhode Island	LCBP and SLCSP premiums by age: tinyurl.com/RI-Premiums General tax information	Look up cost of plan for each family member.
Washington	LCBP: tinyurl.com/WashLCBP SLCSP: tinyurl.com/WashSLCSP Affordability exemption general information	