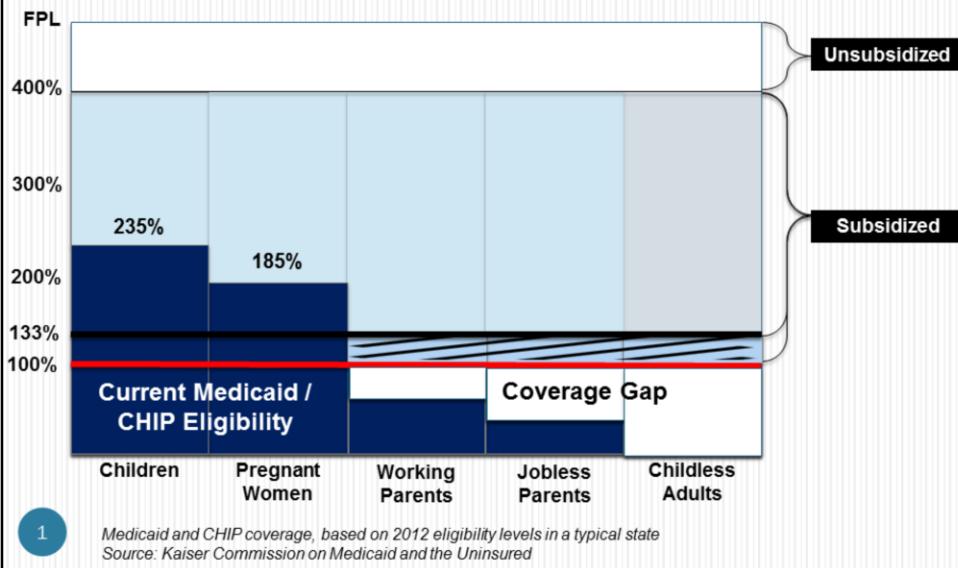


What Volunteer Tax Preparers Need to Know to Help Taxpayers Apply for Health Coverage



What Coverage Will Look Like in 2014



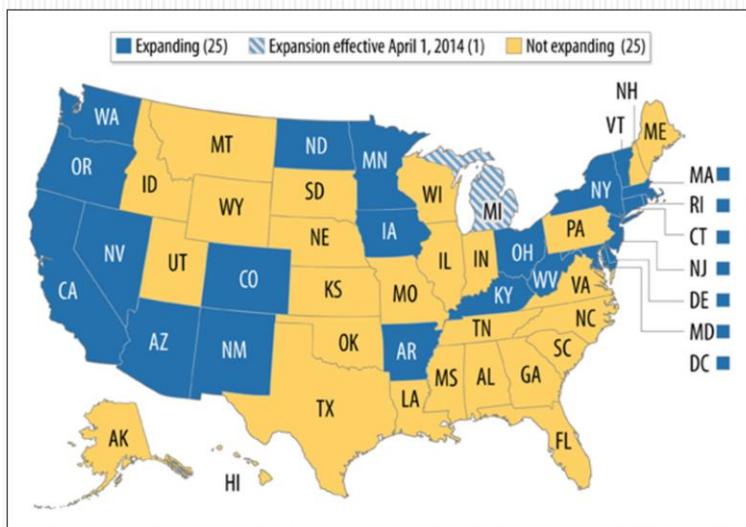
Currently, for the very low-income, Medicaid is available for children, parents, and individuals who are disabled, elderly, or pregnant. Parents are typically covered at very low income levels, and most states don't cover adults without dependent children at all. The implementation of the Affordable Care Act will change the coverage landscape in 2014:

- States will be able to expand Medicaid to cover most adults with incomes up to 133 percent of the poverty line.
- People with incomes above the Medicaid eligibility levels and up to 400 percent of the poverty line will then qualify for premium credits to help them buy an insurance plan in the Marketplace
- People with incomes above 400 percent of the poverty line will still be able to purchase a plan in the Marketplace, but they won't qualify for any assistance.

The Supreme Court decision in 2012 that upheld health reform gave states the choice whether or not to expand Medicaid:

- In those states that do not expand, parents and childless adults who meet current eligibility rules will be able to get Medicaid. However, there will be a gap in coverage between where income eligibility for Medicaid ends and income eligibility for premium credits begins.

About Half the States Will Expand Medicaid



2

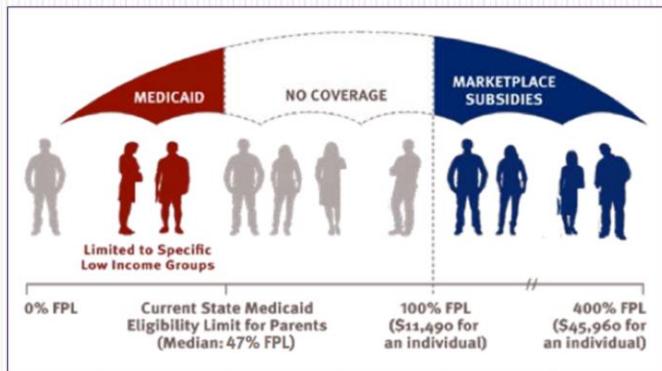
This map shows the status of states with respect to the Medicaid expansion. So far, 24 states plus the District of Columbia have expanded Medicaid.

There is no deadline for a state to declare that it is expanding. So if a state does not expand in January 2014, that does not prevent them from moving ahead with the expansion at a later date. One state – Michigan – will be doing that by expanding in April 2014.

The remaining states are not expanding Medicaid.

The Coverage Gap

- ◊ In non-expansion states, some very low-income people will *not* be eligible for either Medicaid or premium tax credits



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To learn about your state's coverage gap, visit:
<http://kff.org/interactive/uninsured-gap/>

The premium tax credit is designed to start where Medicaid eligibility ends. In states that expanded Medicaid, coverage should be seamless. But in non-expansion states, there will be a gap in coverage between where Medicaid eligibility ends and premium tax credit eligibility begins.

The actual size of the gap between Medicaid and premium tax credits in non-expansion states depends on the state and the type of applicant (parent vs childless adult). The Kaiser Family Foundation has information on what that coverage gap looks like for each state.

In most cases, someone with income that falls within the coverage gap should apply anyway. Denial for Medicaid means they can apply for an exemption from the penalty for failure to have coverage. Also, people with income close to 100% FPL (credit eligibility) may decide to try to increase their income in 2014 to become eligible for premium tax credits.

Cost-Sharing Reductions

New tax credits help pay the cost of premiums for private insurance that is purchased in the “Marketplace”—a new place to shop for coverage

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Help is available to a taxpayer who:

- ◊ Is a US citizen or legal immigrant
- ◊ Has income between 100 and 400% of the federal poverty level (FPL) (or below 100% FPL for lawfully present immigrants not eligible for Medicaid)

Family Size	100% FPL	400% FPL
1	\$11,490	\$45,960
4	\$23,550	\$94,200

- ◊ Is not eligible for:

- Medicare, Medicaid, or most other public coverage
- Employer coverage that meets certain requirements

People with incomes between 100 and 400 percent of the federal poverty line (\$11,490 - \$45,960 for an individual and \$23,550 - \$94,200 for a family of four in 2013) can qualify for premium tax credits with the amounts of the credits based on a sliding scale. Those at the lower end of the income range receive a higher credit than those at the upper end of the scale.

Eligibility is limited to people who are US citizens or lawfully present in the United States. There is a special rule for lawfully present individuals with incomes below the poverty line who can qualify for premium tax credits if they are not eligible for Medicaid based on their immigration status.

Individuals are not eligible for premium tax credits if they are eligible for other minimum essential coverage.

- It does not matter if the individual actually enrolls in the coverage. The offer itself can disqualify people from receiving premium tax credits.
- Almost all employer-sponsored coverage is MEC.
- Key exception is that if the employer coverage is not affordable *to the employee* or if it is not adequate, the individual and his or her dependents who are offered coverage can qualify for premium tax credits.

Premium Tax Credits

- ◊ Reduces the out-of-pocket charges for covered medical care
- ◊ Available to premium credit eligible individuals with income up to 250% FPL
- ◊ Must enroll in a silver plan through the Health Insurance Marketplace

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Calculating the Premium Tax Credit Amount

$$\text{Credit Amount} = \text{Cost of Benchmark Plan} - \text{Expected Premium Contribution}$$

- ❖ **Benchmark plan:** Second lowest cost silver plan, as determined by the Marketplace
- ❖ **Expected premium contribution:** A percentage of income someone is expected to pay, based on a sliding scale

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The amount of the premium credit is equal to the total cost of the benchmark plan (or plans) that would cover the individual or family minus the individual's or family's expected contribution for coverage.

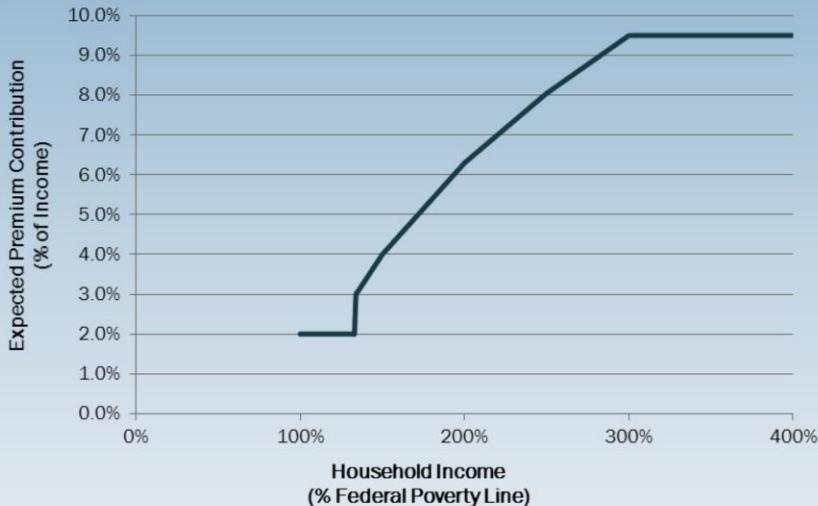
Two things affect the amount of the tax credit – the cost of the benchmark plan and the expected contribution.

Plans that will be sold in the health insurance marketplaces will be classified according to “metal levels”: bronze, silver, gold and platinum. These metal levels organize plans according to certain standards in order to help people compare plans with similar levels of coverage and make informed decisions. Within each of these metal tiers, there will be several plans to choose from.

- Bronze represents the lowest tier, where the premiums will likely be cheaper, but coverage will be less comprehensive, and therefore, the cost-sharing for services will be higher.
- Platinum represents the highest tier, which will have more comprehensive coverage but likely also involve more expensive premiums.

The benchmark for the premium credits is the second lowest cost silver plan that is available to each eligible household member. Oftentimes, this will be one policy that covers everyone, but when there is not a plan that covers every member, the benchmark may be based on more than one policy.

Expected Premium Contribution



The individual's or family's expected contribution toward the cost of coverage is set in the law. It is based on a sliding scale so that those who earn less have a smaller expected contribution and those who make more have a larger expected contribution.

- The expected premium contribution starts at 2 percent of income for those with incomes between the poverty line and 133 percent of the poverty line.
- At 133 percent of the poverty line, the contribution as a percent of income starts to increase, and goes up to 9.5 percent of income at 300 percent of the poverty line.
- Between 300 and 400 percent of the poverty line, the expected contribution stays at 9.5 percent of income.

Expected contributions vary by income level. For example:

- An individual making 133 percent of the poverty level will earn \$14,856 annually. At this income, the expected contribution is 2 percent of earnings, which amounts to \$297 a year.
- A single individual making 400 percent of the poverty line, or \$44,680 a year, will have an expected contribution of 9.5 percent of income, which is \$4,245 a year.

Once a person's income goes above 400 percent of the poverty line, the person is no longer eligible for premium tax credits. The individual will have to pay for the entire cost of the premium.

Example: Single Individual



John:

- 24 years old
- Income of \$28,725 (250% FPL)
- Expected contribution: 8.05% or \$2,312

3 Lowest Cost Silver Plans Covering John:

- Plan A: \$2,800
- Plan B: \$3,018 Benchmark
- Plan C: \$3,200

Premium Credit:

$$\$3,018 - \$2,312 = \$706$$

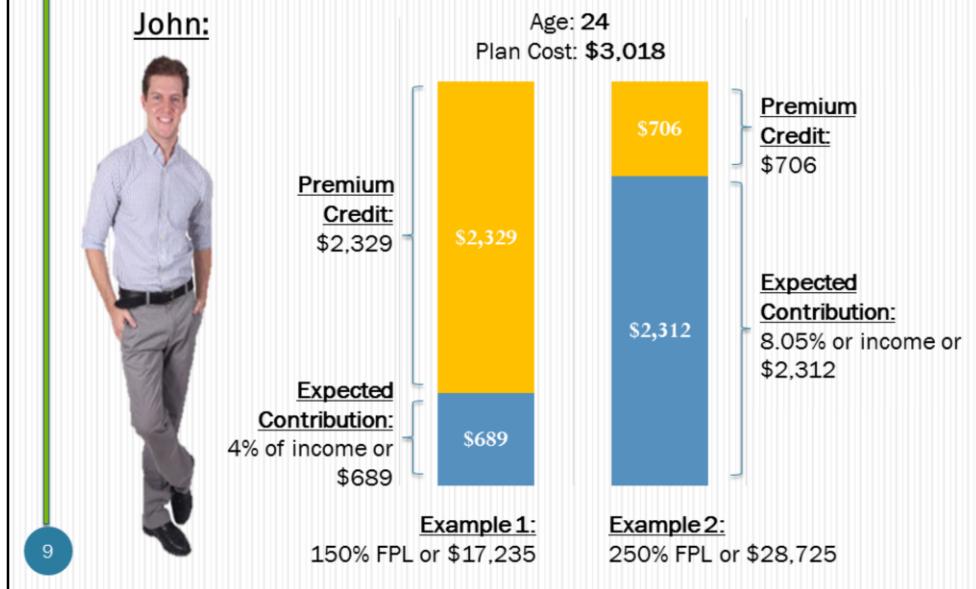
The following illustrates how to determine an individual's expected premium contribution and premium credit amount.

John is a single, 24-year old male looking to buy health insurance. His income is \$28,725 or 250% of the federal poverty line. At this income level, his expected contribution is 8.05 percent of income, or \$2,312.

The 3 lowest cost silver plans covering John are plans A, B, and C. They cost \$2,800, \$3,018, and \$3,200, respectively. The second lowest cost silver plan covering John is plan B, which is what the Marketplace will use as the benchmark plan.

The premium credit amount is calculated by taking the cost of the benchmark plan and subtracting from that the individual's expected contribution. In this case, the benchmark plan costs \$3,018 and John can subtract from that an expected contribution of \$2,312. John would get a premium credit of \$706.

Example: Impact of Income on Premium Credit Amount

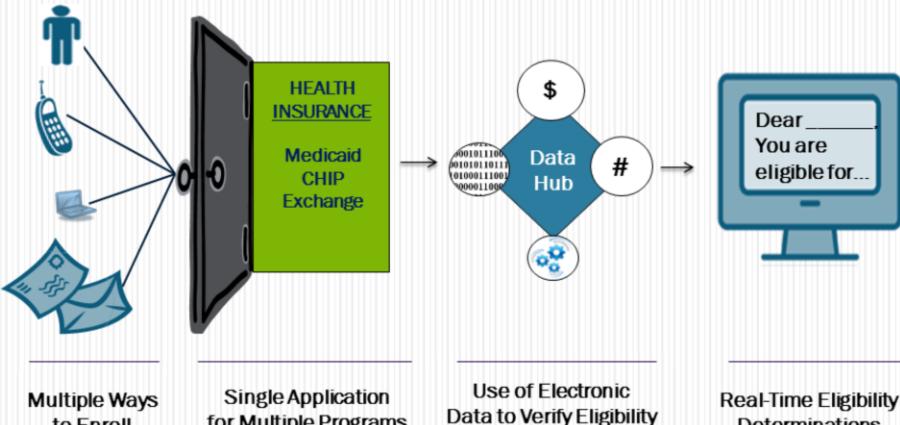


This example illustrates how a person's income affects the credit amount that he or she will receive.

Remember John. The second lowest cost silver plan for John costs \$3,018. The earlier example showed that with income at 250 percent of the poverty line, John would have an expected contribution of 8.05 percent of income or \$2,312. That means his premium credit amount would be \$706.

If John's income was instead 150 percent of the poverty line, or \$17,235, his expected contribution would be 4 percent of income or \$689. Subtracting a \$689 premium contribution from the \$3,018 cost of the second lowest cost silver plan would leave John with a premium credit amount of \$2,329. Because John's income is lower, his expected contribution is less, and he gets a larger premium credit.

How Do People Apply for Coverage?



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Source: Kaiser Family Foundation

How does a person find out if he or she is eligible for a premium tax credit or for Medicaid?

The vision for how this all would work is that there are multiple pathways for submitting an application. People can do it in person, by phone, through the Internet, or by mailing in a paper application.

There is one application for all the coverage programs, so that people would not have to predetermine which program they are eligible for before applying. The idea is that a Medicaid application would also serve as an application for premium tax credits and vice versa.

The information in a person's application gets verified, and most of this verification would be done electronically. There would be greater use of existing databases on things like identity, wages, etc. And there would be much less reliance on paper documentation.

Once all the information is received and verified, the system determines which program a person is eligible for. It shouldn't matter where the person submitted the application – whether to the Medicaid agency or the Marketplace – his case would end up at the right place based on what he is eligible for.

In the rollout of health reform we have seen that the application process has not worked quite so smoothly. There have been many kinks and people have been asked to resubmit applications. The reality does not quite match the vision, but this is the kind of process that we hope to have once all the kinks have been worked out.

Establishing Households

- ◊ Household size determines a family's position on the federal poverty scale

Persons in household	Poverty guideline
1	\$11,490
2	\$15,510
3	\$19,530
4	\$23,550



- ◊ Households show whose income counts in a MAGI determination
- ◊ Households can help figure out tax filing status



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One important component of the application is household composition. There are many questions aimed at getting at who the people are in an applicant's household.

Household composition is important because it is the basis of every income measure. It is needed to determine household size and whose income counts, which then determines the federal poverty level (FPL) for a family.

Making a precise FPL determination is important for premium tax credits and cost-sharing reductions. For premium tax credits, the percentage of poverty level is very sensitive because every dollar change in income has some effect on the expected premium contribution a family will make and therefore on the amount of premium tax credit they receive.

Medicaid and Tax Credit Household Differences

Medicaid Households:

- ❖ Does not always equal the tax unit
- ❖ Based on individual determination – household size may vary across family members
- ❖ State options in defining households

Premium Tax Credit Households:

- ❖ Always equals the tax unit
- ❖ Tax unit determined together – members of tax unit have the same household size
- ❖ Consistent rules across all states

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It's important to note that there are differences in how households are defined for Medicaid and premium tax credit purposes.

For premium credits, the household unit is the same as the tax unit, which includes the taxpayer or taxpayers, and any individual for whom they claim an exemption in the tax return. For Medicaid, it does not always equal the tax unit.

For premium credits, the tax unit is always determined together. That means all members of the same tax unit will all have the same household size. For Medicaid, households are based on an individual determination. You can have three people in a household, each with a different household size attached to him or her.

Finally, the premium tax credit is a federal benefit so that means that rules are consistent across all states. The Medicaid program is based on a state-federal partnership, and there are state options in how to implement it, including how to define households. Therefore, there will be state to state variation in how households are defined for Medicaid purposes.

Defining What Income Counts

◆ Amount of premium credit based on MAGI

Modified
Adjusted
Gross Income
(MAGI)

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Adjusted Gross Income	Line
Educator expenses	23
Certain business expenses of ministers, performing artists, and health savings account deduction. Attach Form 2109 or 2109-EZ.	24
Moving expenses. Attach Form 3606.	25
Deductible part of self-employment tax. Attach Schedule SE.	26
Self-employed SEP, SIMPLE, and qualified plans	27
Health insurance premium deduction	28
Penalty on early withdrawal of savings	29
Alimony paid. ▶ Recipient's SSN ▶	31a
IRA deduction	32
Student loan interest deduction	33
Tuition and fees. Attach Form 8917.	34
Domestic production activities deduction. Attach Form 9803	35
Add lines 23 through 35	36

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Adjusted Gross Income (AGI, as defined by IRS)
+ Excluded foreign income
+ Tax exempt interest
+ Non-taxable Social Security Benefits

Another important component of the application is income.

The ACA created a new tax-based methodology for counting income that is called Modified Adjusted Gross Income, or MAGI. This method will be used to calculate financial eligibility for premium tax credits and for most beneficiaries that will enroll in Medicaid. In general, income that is taxable will be considered. Income that is not taxable will not be considered and counted in the income of an individual or family.

MAGI is defined as Adjusted Gross Income, which is calculated on line 37 on the 1040 tax form plus three things:

- Foreign income
- Tax exempt interest
- The non-taxable portion of an individual's Social Security benefit

Medicaid varies a little from this by also excluding some scholarship income that is taxable, certain Native American and Alaskan Native income. It also counts lump sum income differently, in that those sums are only counted towards income in the month it is received.

Estimating Income

- ◊ Current employment
- ◊ Other income
- ◊ Deductions
- ◊ Yearly and projected income for *coverage year*

31. **DEDUCTIONS:** Check all that apply, and give the amount and how often you get it.

If PERSON 2 pays for certain things that can be deducted on a federal income tax return, telling us about them could make the cost of health coverage a little lower.

NOTE: You shouldn't include a cost that you already considered in your answer to net self-employment (question 29b).

Alimony paid \$ _____ How often? _____ Other deductions \$ _____ How often? _____
 Student loan interest \$ _____ How often? _____ Type: _____

32. **YEARLY INCOME:** Complete only if PERSON 2's income changes from month to month.

If you don't expect changes to PERSON 2's monthly income, add another person or skip to the next section.

PERSON 2's total income this year	PERSON 2's total income next year (if you think it will be different)
\$ _____	\$ _____

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Estimating income for the coverage year is probably the most difficult part of the application process.

One needs to take into account not just earnings he or she expects to receive, but also other unearned income they will receive, like interest, and social security or pension payments.

In addition, when most people think of income, they think of their gross income. Since the premium tax credits will be based on MAGI, the application will need to take into account deductions from gross income.

And while premium tax credits are sent on a monthly basis to the insurer that a person chooses, the amount of the benefit is based on annual income. It's also something that has to be projected since you apply for the benefit and your eligibility for it is determined prospectively. For example, in the fall of 2013, people started applying for premium credits for 2014 coverage.

Projecting Income

❖ People who have variable or unpredictable income will need more help and guidance:

- Self-employed
- Hourly workers
- Seasonal workers



❖ Estimating income by job or by month will require documentation:

- Receipts, invoices, bank records, etc.



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Projecting income will be particularly tricky for people who are self-employed, hourly workers, or seasonal workers, who may have variable or unpredictable income. These people will need additional guidance and tools on how to estimate their income. They also will likely need more documentation, like receipts, invoices and bank records, to verify that their income is what they say it is.

Key Types of Minimum Essential Coverage

Government-Sponsored Coverage

- ✓ Medicare
- ✓ Most types of Medicaid
- ✓ Most veterans and military coverage
- ✓ CHIP



"Single-benefit" coverage is not MEC, e.g., Medicaid for family planning.

Private Insurance

- ✓ Nearly all employer-sponsored insurance
- ✓ Most plans sold in the insurance market (inside or outside the Marketplace)

Regardless of minimum value or affordability

Not short-term coverage or "excepted benefits," like stand-alone vision or dental insurance

Other Insurance, as designated by the Secretary of HHS

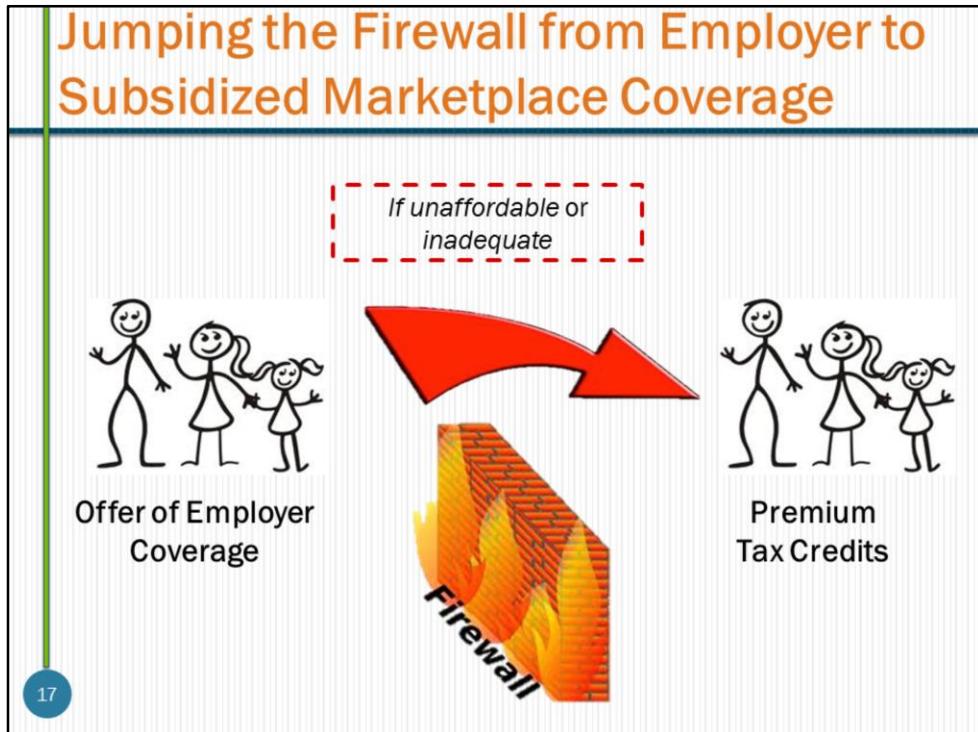
16

Most existing coverage, like coverage through government programs such as Medicare, Medicaid, CHIP and the VA, will satisfy the mandate. Most private insurance coverage, such as coverage that people have through their employer or individually purchased plans, will also satisfy the mandate. This means that for a lot of people who have coverage now, not much will really change.

Other types of plans will also satisfy the mandate. These include:

- Self-funded student health coverage
- Refugee medical assistance
- Medicare advantage
- State high risk pool coverage for plan years beginning on or before 12/31/14 – after that sponsors can apply to be recognized.
- Other coverage approved under process where sponsors can apply.

Jumping the Firewall from Employer to Subsidized Marketplace Coverage



The health reform law erects a firewall between employer coverage and premium tax credits. A family with an offer of employer coverage can only leave employer coverage ("jump the firewall") and become eligible for premium tax credits if the employer coverage is unaffordable or inadequate.

Coverage is considered affordable if the employee's contribution to obtain self-only coverage – that is coverage for the employee and not any dependents – is less than 9.5 percent of household income.

- In most employer-sponsored insurance offers, it costs more to cover the entire family than just the employee, so one would probably think affordability for the family would be determined by how much it would cost to cover the family.
- However, this is NOT the case. Affordability for the family is determined using the same test as for measuring affordability for just the employee. Once again, that test is whether self-only coverage for the employee only is less than 9.5 percent of household income. If the employer coverage meets that test, it will be considered affordable for the entire family.

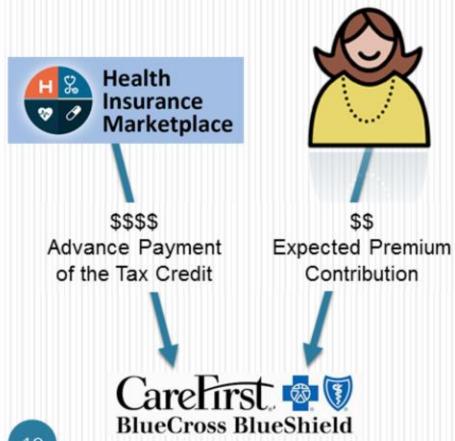
Coverage is considered adequate if it has a minimum value of 60 percent. Minimum value measures how much the plan pays for covering certain services for a typical population.

In general, employees will have to obtain information on the value of the coverage they are offered from their employers. This information can be found on the Summary of Benefits and Coverage (SBC) document that every plan should produce

With a few exceptions, most plans offered in the small group market will meet the MV test because of requirements that apply in that market. Most large employers offer coverage that is well above minimum standards.

How Do People Get the Premium Credits?

In Advance



During Tax Time



Most people will need help in advance so that they can pay their premiums each month. To get the credit in advance:

- People apply at the marketplace which will determine their monthly advance payment based on what the individual or family expects their income to be during the year of coverage.
- Each month, the premium credit is sent directly to the insurer and the individual pays the difference.

However, people do not have to get the premium credit in advance. They can wait until tax filing and claim it on their return.

Regardless of whether people get the credit in advance or wait until tax time, the credit is only available for months that the individual or family was actually enrolled in a Marketplace health plan. If someone goes outside the Marketplace to buy a plan in the state's individual market, he will not be able to get a credit even if his income is between 100 and 400 percent of the poverty level.

Changes in Circumstances

◊ Premium Credit eligible taxpayers will need to be reminded that changes in circumstances may affect their eligibility



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There are many life events that could affect a person's eligibility for premium credits and cost-sharing reductions.

The birth or death of a dependent is consequential.

- A child born during the year will be considered the taxpayer's child all year – it raises the taxpayer's household size by one for the year.
- An adopted child generally must have lived with the taxpayer for more than half the year – so a child adopted in November may be eligible for premium tax credits beginning in that month but won't raise the taxpayer's household size for that tax year.
- If someone dies during the year, they can generally still be claimed on the tax return, although their premium tax credit and health coverage will stop.

There are special rules for people who divorce.

- Couples who are married and in the same health plan in the marketplace have probably been getting premium tax credits and paying premiums jointly. How is the credit reconciled if the couple separates?
- In that case each individual would file as a separate household and divide the credit received between the ex-spouses. The credit can be split in any way the ex-spouses agree to or, if no agreement, it will be cut in half.

Marriage is another event that can cause some complications.

- The problem with marriage and the premium tax credits is that $1 + 1 = 3$.
- Consider two people, each earning \$20,000. Neither is offered insurance and they both purchase coverage in the marketplace. \$20,000 in earnings for a single person is 176% of the federal poverty level, or an expected premium contribution of 5.1% or \$1,021.
- The two get married. As a married couple, they file jointly and their final premium credit will be

based on their 2-person household and combined income of \$40,000. Their income is now 258% FPL, with an expected contribution about 50% higher than what they were paying as single people. If they filed their tax return, they would find that they owed back about \$1,000 in excess premium tax credits for the year because they underestimated their expected contribution.

- Fortunately, the IRS softens that penalty by providing an alternative calculation that allows them to calculate their credit for their unmarried and married months separately.

Separation.

- There is a requirement for married people that receive the premium tax credit to file jointly. If a spouse chooses to file married filing separately, they will need to repay the credit, subject to the repayment limit. Something to note is that a married person with a dependent child who lives apart from her spouse for the last six months of the year has another filing option – head of household. In that case, she may not owe back the tax credit.

These are just some of the common situations that can change household composition and potentially have a big effect on premium tax credit and cost-sharing eligibility.

Changes in Circumstances

- ◊ Eligibility for and final amount of the premium credit is based on actual income
- ◊ At tax filing, advance payments received are reconciled with the actual credit amount

Actual income > Projected income



Actual income < Projected income



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An individual or family's estimated income for the year may be different from their actual income.

The final amount of the premium credit of the premium credit is determined at tax filing. Everything that happened up until then is an estimate based on expected income and family size.

When people file their taxes for the year, the advance payments are reconciled with the final credit amount. In general:

- Minor changes in income will not matter much
- Major income changes should be reported to the Marketplace so that the individual or family can get an adjustment in advance of their payments
 - If income increases, making this adjustment can help someone avoid owing back large amounts at tax time
 - If income decreases, making this adjustment can get someone extra help paying for coverage
- People who are concerned about having to repay can also choose to take a smaller advance payment than the amount calculated based on their estimated income

Cap on Reconciliation

Income as percentage of poverty line	Annual income for an individual (2013 \$)	Single taxpayers	Annual income for a family of four (2013 \$)	Married taxpayers filing jointly
Under 200%	Under \$22,980	\$300	Under \$47,100	\$600
At least 200% but less than 300%	\$22,980 - \$34,470	\$750	\$47,100 - \$70,650	\$1,500
At least 300% but less than 400%	\$34,470 - \$45,960	\$1,250	\$70,650 - \$94,200	\$2,500
400% and above	\$45,960 and higher	Full reconciliation	\$94,200 and higher	Full reconciliation

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For people whose annual income is under 400% of the poverty line, there is a cap on how much they have to pay back.

- The amount of the cap depends on income. People making a lower income will have to pay back less than people making a higher income.
- The cap also depends on filing status. Single taxpayers will have to pay back less than married taxpayers filing jointly.

People whose income is over 400 percent of the poverty line will have to pay back the entire amount of tax credits they received because they were not eligible for premium credits at all.

- This means that people whose income is in the higher range of eligibility and who think that their income may go over 400% of the poverty line may be better off waiting until they file their taxes to get their premium credit.

People who received premium credits and whose annual income ends up being less than the poverty line when they file their taxes will be considered as if they were eligible for the premium tax credits as long as the marketplace provided advance payments of the credits on an estimate that their income would be between 100 and 400 percent of the poverty line.

Health Insurance is Required

- ◊ On next year's tax return, taxpayers will report whether or not they had insurance in each month in 2014.



- ◊ Taxpayers without insurance for a month will pay a penalty for themselves and any dependents who are uninsured.

Tax penalties will start small but grow over the next 3 years.

- ◊ *Some people will be exempt* from the penalties based on their income, the cost of insurance, or other factors.



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A critical component to making insurance market reforms work is having as many people participate in coverage as possible. It's important for both healthy and sick people to sign up for coverage, which is why the ACA has an individual mandate. Starting in 2014, people will be required to have insurance coverage that meets certain standards, and people who don't have coverage will have to pay a penalty for being uninsured.

When people do their taxes in 2015, they will be asked whether or not they had insurance in each month in 2014. Unless they qualify for an exemption, people who don't have coverage will be required to pay a penalty which will be assessed through the tax system. The penalty starts out small in 2014 but then increases over a couple of years.

The Penalty for Not Obtaining Coverage

Annual Penalty is the GREATER of:		
	Flat dollar amount	OR
2014	Each adult: \$95	1% of applicable income*
	Each child: $\frac{1}{2}$ adult (\$47.50)	
	Maximum: \$285	
2015	Each adult: \$325	2% of applicable income*
	Each child: $\frac{1}{2}$ adult (\$162.50)	
	Maximum: \$975	
2016 and beyond	Each adult: \$695	2.5% of applicable income*
	Each child: $\frac{1}{2}$ adult (\$347.50)	
	Maximum: \$2,085	

* Income above the tax filing threshold

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The calculation of the penalty is somewhat complicated, although the various tax software products will likely be programmed to calculate it automatically. There are two methods used to calculate the penalty – the first uses a flat dollar amount while the second uses a percentage of income. The penalty assessed is the larger amount based on these two methods.

Using the flat dollar method, in 2014, any adult without insurance (or an exemption) will pay \$95 for the year.

The penalty is calculated on a monthly basis, so dividing \$95 by 12, the monthly penalty is about \$8. For children under the age of 18, the penalty amount is halved. There is also a maximum amount for each tax family. Note that while penalties start small in 2014, they grow a lot by 2016.

Using the percentage of income method, in 2014 the penalty is 1% of income above the filing threshold. In 2013, the filing threshold is \$10,000 for a single person. So, for example, if a person's income is \$30,000, subtract \$10,000 (the filing threshold amount) and take 1% of the result. One percent of \$20,000 is \$200.

In this case the penalty would be the larger of \$95 or \$200.

Exemptions from the Penalty

EXEMPTIONS GRANTED BY THE MARKETPLACE

- ◊ Religious conscience
- ◊ Hardship, such as:
 - ◊ Difficulty paying bills
 - ◊ State failure to expand Medicaid
 - ◊ Unaffordability of insurance

EXEMPTIONS GRANTED AT TAX FILING

- ◊ Income below filing threshold
- ◊ Insurance is unaffordable
- ◊ Undocumented resident
- ◊ Short coverage gap (<3 months)

EXEMPTIONS GRANTED BY EITHER

- ◊ Indian tribe membership
- ◊ Incarceration
- ◊ Health care sharing ministry

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A person will not have to pay a penalty if they qualify for an exemption. Some exemptions can only be granted by the Marketplace, others can be granted only at tax filing, and some can be granted through either method.

The exemptions granted by the Marketplace include those based on religious conscience and hardship.

The exemptions that are claimed through tax filing include those based on having income below the tax filing threshold, difficulty affording insurance, undocumented residence status, or a short coverage gap.

The exemptions that can be granted either on the front-end or the back-end include those based on membership in an Indian tribe, being in prison, or being a member of a health care sharing ministry.

For Marketplace exemptions, the uninsured person will need to apply and in most cases, will need to submit documentation to prove their need for an exemption.

In some cases, an exemption application is best submitted early, as soon as the person identifies their eligibility for one. One of the reasons for this is that for people older than 30, an exemption is their ticket for eligibility to purchase catastrophic coverage. Under normal circumstances, such coverage is only available to people who are under the age of 30.

Exemptions might be for certain months or for the entire year, but in most circumstances, a person will need to let the Marketplace know if he or she no longer qualify for the exemption.