FAQ: American Rescue Plan Premium Tax Credit Provisions

The American Rescue Plan significantly increases the amount of the premium tax credit (PTC) people can receive, across the board, ensures that eligible enrollees with income below 150% of the federal poverty level (FPL) can receive a zero-premium “benchmark” plan, and extends PTC eligibility to people with income over 400% FPL so they don’t pay premiums higher than 8.5% of household income. (Increased PTC available for 2021 and 2022 plans.)

The American Rescue Plan also provides generous new subsidies to people who are approved for or receive unemployment benefits in 2021, fully subsidizes COBRA from April 1 to September 30, 2021, and eliminates PTC repayment for 2020.

Below are frequently asked questions about these benefits. Unless noted, all answers apply to both the federal marketplace (HealthCare.gov) and the state-based marketplaces.

How the Enhanced PTC Works

1. **Who benefits from the lower premiums?**

   Virtually everyone who is eligible for PTC will see higher PTC and lower premiums. Enrollees with income below 150% FPL will be eligible a zero-premium “benchmark” plan and people with income over 400% FPL will be newly eligible for PTC, so they don’t pay premiums higher than 8.5% of household income for a benchmark plan. These changes apply to 2021 and 2022 plans.

2. **How do enrollees get their lower premium?**

   Enrollees at HealthCare.gov must return to their application before August 15 to see up-front premium reductions. Otherwise, they can claim a higher PTC on their 2021 tax return.

   The enrollee should return to their HealthCare.gov application, select “report a life change,” then report a change in income (even if their income hasn’t changed). Page through the application and make sure everything is accurate, then submit the application to receive a new eligibility determination with the updated advance PTC amount. Then either confirm the current plan or choose a new plan. (If changing to a new plan, bear in mind that the enrollee might lose credit for money paid toward their deductible. Check with the insurer to be certain.)

   If the consumer is enrolled through a state-based marketplace, check the rules in your state. Some apply the premium discount automatically or have another implementation timeline.

3. **What’s the earliest the new advance PTC can be reflected in premiums?**

   A consumer at HealthCare.gov who enrolls or updates their application and selects a plan at any time in the month will see their new premium discounts on their next bill. The effective dates are accelerated during this enrollment period: coverage is effective on the first day of the following month, no matter when someone applies during the month.

4. **Is someone with income over 400% FPL eligible for PTC?**

   Yes, assuming all other rules for PTC eligibility are met. For example, an enrollee must plan to file a tax return, cannot be married filing separately, and cannot have an offer of affordable employer-sponsored coverage. But if the only thing that barred someone from receiving PTC in the past was their income, they may be newly eligible for PTC.

5. **Is there a maximum income limit at which PTC cuts off?**

   No, there is no maximum income limit. But the PTC does naturally phase out, since someone with a high income, who is younger, or who lives in a lower-premium area may already have a benchmark premium that costs less than 8.5% of household income.

6. **Does the 8.5% cap on premiums apply to the whole family?**

   Yes. For people with income over 400% FPL, the 8.5% premium cap covers the entire family, just as people with income below 400% FPL have premiums for the entire family capped by a percentage of their income.

7. **If an enrollee had an income data matching issue (DMI) when they initially enrolled, and now they revisit their application to get the premium discount, will they need to clear the same DMI again?**

   No. An enrollee that cleared a DMI for 2021 and has the same income as previously verified will not generate a new DMI. However, if the enrollee makes income changes in their application, a new DMI might be generated, requiring documentation to resolve.

8. **If someone is offered affordable employer-sponsored coverage or files taxes as married filing separately, can they get the premium reduction even though they weren't previously eligible for PTC?**

   No. Those PTC rules remain the same. Married people who file separately (except in cases of spousal abuse or abandonment), people who declare they will not file a tax return, and families with an affordable offer of employer-sponsored coverage are still barred from receiving PTC.

9. **Does the affordability threshold for employer-sponsored coverage also fall from 9.83% of income to 8.5% of income?**

   No. The employer affordability threshold hasn't changed. A family is considered to have an affordable offer of employer-sponsored coverage if the premium for employee-only coverage is less than 9.83% of household income.

10. **Can an existing enrollee update their application to increase PTC after the HealthCare.gov special enrollment period ends August 15th?**

    Yes. After the end of the special enrollment period on August 15, a person can get their lower premiums by reporting a change in income (even if income is the same), but they won't be able to change plans unless they qualify for a different special enrollment period, such as for losing job-based health coverage. (If you are enrolled through a state-based marketplace, check the special enrollment period dates and rules in your state.)

11. **Is the new advance child tax credit, starting this year, considered income that must be reported to the marketplace as cash assistance?**

    No. The American Rescue Plan increases the child tax credit and makes it available in advance. The child tax credit, including the advance portion, is not included in income.

12. **Are unemployment benefits counted as income?**

    Yes. All unemployment benefits are income that should be included on marketplace applications. (ARP excluded up to $10,200 in unemployment compensation from income for tax year 2020, but that rule does not apply to other years and so does not affect projected income for APTC purposes in 2021.)

    Previously, when applicants entered UC as current month income, HealthCare.gov automatically subtracted $300 per week of federal pandemic unemployment compensation (FPUC) to make the Medicaid and CHIP determination (as required by ARP), but used the entire amount for the APTC determination. However, most HealthCare.gov states no longer distribute FPUC, so HealthCare.gov is changing the process.

    If you're in a state that still distributes the $300 per week federal pandemic unemployment compensation (FPUC), you need to subtract $300 per week when entering the current month's income. As of July 1, these states are still distributing FPUC: Delaware, Hawaii, Illinois, Kansas, Michigan, North Carolina, and Wisconsin.

How the Enhanced PTC Works

13. **Is the stimulus payment included as income on the marketplace application?**

    No. Stimulus payments are not income and should not be included.

14. **Does this change the rule that determines the affordability of family employer-sponsored coverage by the employee-only premium ("family glitch")?**

    No. Fixing the family glitch would require a legislative or regulatory change.

15. **Will HealthCare.gov communicate with consumers on what they need to do?**

    HealthCare.gov is reaching out to existing enrollees on a regular basis and is investing $100 million in outreach and marketing to explain the lower premiums to existing and new enrollees.

Marketplace Subsidies for People Approved for Unemployment Compensation (UC)

1. **What is the new benefit for someone who is approved for unemployment compensation (UC)?**

   People who receive, or are approved to receive, UC for any length of time in 2021 will have their income counted as no higher than 133% FPL for the entire year in calculating the PTC (including at reconciliation) and the cost-sharing reduction (CSR) level. This makes them eligible for a zero-premium benchmark plan, after PTC, and the maximum cost-sharing reductions for the entire year. Actual income is still used to determine the affordability of employer-sponsored coverage and for Medicaid and CHIP eligibility.

2. **How will consumers get the new benefit in HealthCare.gov?**

   New enrollees that list UC as a source of income in the current month will automatically receive the enhanced APTC and CSR. If they don't list UC in the current month, they'll be asked whether they've received UC at any point in 2021 after they enter all other income.

   Existing enrollees who list UC as a source of current month income should come back to HealthCare.gov to update their application to receive the enhanced APTC and CSR. Enter the application and select Report a Life Change. Enrollees who previously entered UC as a source of the current month income should go through the application and make any other needed updates. When they resubmit their application, they will receive the enhanced APTC and CSR, if they otherwise qualify for APTC. Returning enrollees who do not enter UC as part of their current month income will be asked if they've received or been approved to receive UC this year. This question will appear after they enter all other income.

3. **When can consumers get this new benefit in HealthCare.gov?**

   This functionality is live in the HealthCare.gov application as of July 1. Enrollees who do not return to their application, but received or were approved to receive UC in 2021, will get the enhanced PTC on their tax return. (Check with your state-based marketplace for their implementation timeline.)

4. **Will a person who is otherwise eligible for Medicaid have a choice between PTC and Medicaid?**

   No. As with the normal eligibility determination, people will first be assessed for Medicaid eligibility, then for PTC eligibility. The Medicaid assessment is based on actual income and, if the applicant is ineligible for Medicaid/CHIP, the PTC assessment will be based on income of 133% FPL. So, for example, take a family of 4 with income of $39,000 (about 150% FPL). Enter all income on the application. The children are determined eligible for Medicaid or CHIP based on a family income of $39,000, while the parents will likely be ineligible for Medicaid because their actual income is too high. The parents will be assessed for PTC eligibility with an income of 133% FPL.

5. **How do you estimate yearly income for people receiving UC?**

   People should estimate their income, including income from UC, as best as possible and update their application when their income changes. Accurate entry of UC is necessary to get an accurate Medicaid/CHIP eligibility determination.

6. **Is there a minimum dollar amount or time period a client must receive UC to qualify?**

   No. The special PTC enhancement applies to consumers who receive, or are approved for, any amount of UC at any point during 2021, for at least one week.

7. **If someone has UC, does the enhanced PTC go back to January 1, 2021?**

   All of the PTC enhancements, including those for people who received UC, will be calculated in the HealthCare.gov application on a prospective basis, but the consumer will get the additional PTC on their tax return for every month the consumer was enrolled in 2021. (Some state-based marketplaces are increasing monthly PTC going forward to make up for earlier months. Contact your Marketplace for more information.)

8. **What happens to someone who now has a new low-deductible variant of their silver plan but had already fulfilled their higher deductible?**

   A consumer won't get money back if they've already paid more toward their deductible than required under their new lower deductible plan, but if they remain enrolled in the same plan, the excess amount paid toward their deductible, and any other cost-sharing paid, should count toward their out-of-pocket maximum. Federal rules require marketplace insurers to keep track of annual out-of-pocket spending (toward the deductible and out-of-pocket maximum) and credit enrollees who remain in that plan for the year, even if the enrollee's eligibility for cost-sharing help changes and they are enrolled in a different version of the same silver plan (with a higher or lower value). Some insurers may credit enrollees for their out-of-pocket costs if they change to a different plan from the same company. Check with the insurer to be sure.

9. **Will this coverage provision apply to people who received UC in 2020 but not 2021?**

   No. The PTC enhancement only applies to people who are approved for or receive UC in 2021.

10. **How does this provision affect people with income below the poverty line in states that didn't expand Medicaid (who are in the "coverage gap")?**

    People in the coverage gap will be newly eligible for PTC and cost-sharing reductions if one member is approved for or receives UC at any point in 2021. The household will effectively be deemed as having income above the poverty line. (Since eligibility for Medicaid/CHIP is still determined based on actual income, most children in those families will be eligible for Medicaid instead.)

11. **Is someone who receives UC in 2021, but then gets a job with employer-based coverage, still eligible for PTC?**

    It depends. A person is not eligible for PTC in the months they are eligible for employer-sponsored insurance that is considered affordable (i.e., costs less than 9.83% of income for employee-only coverage). However, the person would be eligible for PTC in the months in which they were enrolled in marketplace coverage but not eligible for affordable employer-sponsored coverage.

12. **If someone is offered affordable employer-sponsored coverage (ESI), is their spouse, who receives UC, still eligible for a zero-premium plan in the Marketplace?**

    The usual rules on affordable employer coverage offers apply. If the consumer's ESI is affordable for the employee, and coverage is also offered to the spouse, the spouse cannot get PTC. (This is known as the "family glitch.") However, a spouse not offered the employer coverage could receive PTC in the marketplace. (The employee with affordable ESI would still be barred from receiving PTC.)

Marketplace Subsidies for People Approved for Unemployment Compensation (UC)

13. **Will the entire household be eligible for a zero-premium benchmark plan if one taxpayer receives UC in 2021?**

    Yes, assuming the other rules to claim PTC are met.

2020 PTC Repayment Relief

1. **Who is eligible for PTC repayment forgiveness?**

   PTC repayment will be forgiven for people who owe back all or a portion of their advance PTC on their 2020 tax return (the tax returns consumers are filing right now). This applies no matter the reason for repayment, including if someone was ineligible for the credit due to being married filing separately or had income above 400% FPL.

2. **How does the repayment forgiveness work?**

   Enrollees who owe back a portion of their 2020 advance PTC should not include Form 8962 on their tax return. People who can receive additional PTC should still submit Form 8962 to get extra money they are owed. Taxpayers who have already filed will still get this tax relief and do not need to file an amended tax return. The IRS will return any repayment that has already been made.

3. **Will repayment forgiveness apply for 2021 tax returns?**

   No. This applies only to 2020 tax returns and does not apply for the 2021 plan year. It's important that enrollees update their projected income throughout the year, especially if they have income increases, to make sure they don't owe back advance PTC when they file their 2021 taxes.

4. **Are there repayment caps for people with income over 400% FPL?**

   No. There is no cap on repayment for people whose income is over 400% FPL. However, the expansion of the subsidy in 2021 and 2022 eliminates the hard cliff people previously faced when their income was projected to be below 400% FPL but then turned out to be higher. For example, let's say a 50-year-old with a projected income of $50,000 (392% FPL) receives a $3,400 advance PTC, but their income turned out to be $53,000 (415% FPL). Previously, they would have repaid their entire $3,400 credit. Now, since they are still PTC-eligible despite having income over 400% FPL, they'd owe back only about $350 (the difference between their allowable PTC at $50k and at $53k.

5. **I've heard that a portion of unemployment compensation will not be taxed. How does that affect the PTC?**

   The American Rescue Plan excludes the first $10,200 of unemployment compensation (UC) from tax in 2020. Because this reduces adjusted gross income, it will also raise the amount of PTC someone qualifies for. This is on the 2020 tax return only. Do not subtract any portion of UC from countable income for 2021.

Special Enrollment Period

1. **How long is the HealthCare.gov special enrollment period (SEP)?**

   The HealthCare.gov SEP began on February 15, 2021 and ends on August 15, 2021.

2. **Can someone still enroll or change plans after HealthCare.gov's SEP ends?**

   After August 15, the standard special enrollment period rules will apply. A current enrollee can return to their plan to receive the increased PTC but cannot change plans unless they qualify for a special enrollment period due to a life event, such as getting married or having a baby. (Check your state's rules if the enrollee is in a state-based marketplace.)

3. **When a consumer re-enrolls, will they get credit toward their deductible and out-of-pocket maximum for prior out-of-pocket spending?**

   It depends.

   - An enrollee who remains in the same plan will receive credit for the out-of-pocket expenses they've already paid in 2021.
   - An enrollee who switches to a different cost-sharing reduction variant of the same plan (i.e., from a 73% CSR to an 87% CSR) should get credit under federal rules. Contact the insurer if there is an issue.
   - If the consumer switches to a different plan with the same insurer, the cost-sharing is less likely to apply, but check with the insurer.
   - If the consumer switches to a new insurer, they won't get credit for prior cost-sharing.

   Even if a consumer does get credit for prior cost-sharing, any excess amount paid toward a deductible is not refunded. For example, if a person pays $1,000 toward a $3,000 deductible for their silver plan, then becomes eligible for a higher cost-sharing reduction with a deductible of $300, the enrollee will not get a $700 refund. However, the full $1,000 will be applied to their out-of-pocket maximum for the year.