Affordable Care Act Tax Provisions for Individuals and Families

The Affordable Care Act, or health care law, contains new health insurance coverage and financial assistance options for individuals and families. The IRS will administer the tax provisions included in the law. Visit HealthCare.gov for more information on coverage options and financial assistance.

Do I need to do anything right now to get ready for the changes coming in 2014?

- The premium tax credit can help make the cost of purchasing health insurance coverage through the Marketplace more affordable for individuals and families with low to moderate incomes. Learn more: www.irs.gov/uac/The-Premium-Tax-Credit
- You may have received a letter from your employer providing information about the new Marketplace, and any health insurance coverage your employer may offer. For more information about coverage options through the Marketplace, visit HealthCare.gov. If you have questions about the coverage offered by your employer, please contact your employer.

Considerations for 2013

- **Open Enrollment for the Health Insurance Marketplace:** The open enrollment period to purchase health care coverage through the new Health Insurance Marketplace began Oct. 1, 2013 and runs through March 31, 2014. When you get health insurance through the marketplace, you may be able to get advance payments of the premium tax credit that will immediately help lower your monthly premium. Learn more at HealthCare.gov. After open enrollment ends on March 31, 2014, you won't be able to get health coverage through the Marketplace until the next annual enrollment period, unless you have a qualifying life event.
- **Filing Requirement:** If you do not have a tax filing requirement, you do not need to file a 2013 federal tax return to establish future eligibility or qualify for future financial assistance, including advance payments of the premium tax credit to purchase health insurance coverage through a Health Insurance Marketplace. Learn more at HealthCare.gov.
- **W-2 Reporting of Employer Coverage:** Certain employers are required to report the value of the health insurance coverage they provide. The value of health care coverage as reported by your employer in box 12 and identified by Code DD on your Form W-2 is not taxable.
- **Itemized Medical Expenses:** You can deduct your unreimbursed medical and dental expenses that exceed 10 percent of your adjusted gross income on your 2013 tax return. The 7.5 percent threshold will remain for those 65 and older for tax years 2013 through 2016.
- **Other ACA Tax Provisions:**
    - Additional Medicare Tax – For information visit: http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax

- Premium Rebate for Medical Loss Ratio – For information visit: http://www.irs.gov/uac/Medical-Loss-Ratio-(MLR)-FAQs

- Health Flexible Spending Arrangements – For Information visit: http://www.irs.gov/uac/Affordable-Care-Act:-Questions-and-Answers-on-Over-the-Counter-Medicines-and-Drugs

- Health Saving Accounts – For Information visit: http://www.irs.gov/publications/p969/index.html

- Net Investment Income Tax – For Information visit: http://www.irs.gov/uac/Newsroom/Net-Investment-Income-Tax-FAQs

Looking ahead to 2014

- **Premium Tax Credit:** To claim the premium tax credit, you must get insurance through the Marketplace. You can elect to have advance payments of the tax credit sent directly to your insurer during 2014, or wait to claim the credit when you file your tax return in 2015. If you choose to have advance payments sent to your insurer, you will have to reconcile the payments on your 2014 tax return filed in 2015. Learn More: www.irs.gov/uac/The-Premium-Tax-Credit

- **Change in Circumstances:** If you are receiving advance payments of the premium tax credit to help pay for your insurance coverage, you should report changes such as income or family size to your marketplace. Reporting changes will help to make sure you are getting the proper amount of assistance.

- **Individual Shared Responsibility Payment:** Starting January 2014, you and your family must either have health care coverage, have an exemption from coverage, or make a payment when you file your 2014 tax return in 2015. Most people already have qualifying health care coverage and will not need to do anything more than maintain that coverage throughout 2014. Learn More: http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision

  If you can afford health insurance but choose not to buy it, you must pay a fee known as the individual shared responsibility payment. The fee in 2014 is calculated one of 2 ways. You'll pay whichever of these amounts is higher:

  1% of your yearly household income. The maximum fee is the national average yearly premium for a bronze plan.

  $95 per person for the year ($47.50 per child under 18). The maximum fee per family using this method is $285.

  The fee increases every year. In 2015 it's 2% of income or $325 per person. In 2016 and later years it's 2.5% of income or $695 per person. After that it is adjusted for inflation.

  If you're uninsured for just part of the year, 1/12 of the yearly fee applies to each month you're uninsured. If you're uninsured for less than 3 months, you don't have a make a payment. If you enroll in a health insurance plan through the Marketplace by March 31, 2014, you won't have to make the payment for any month before your coverage began.

For example, if you enroll in a Marketplace plan on March 31 your coverage begins on May 1. If you didn't have coverage earlier in the year, you won't have to pay a fee for any of the previous months of 2014.

Exemptions from the payment

Under certain circumstances, you won't have to make the individual responsibility payment. This is called an "exemption."

You may qualify for an exemption if:

- You're uninsured for less than 3 months of the year
- The lowest-priced coverage available to you would cost more than 8% of your household income
- You don't have to file a tax return because your income is too low (Learn about the filing limit.)
- You're a member of a federally recognized tribe or eligible for services through an Indian Health Services provider
- You're a member of a recognized health care sharing ministry
- You're a member of a recognized religious sect with religious objections to insurance, including Social Security and Medicare
- You're incarcerated, and not awaiting the disposition of charges against you
- You're not lawfully present in the U.S.

Hardship exemptions

If you have any of the circumstances below that affect your ability to purchase health insurance coverage, you may qualify for a "hardship" exemption:

1. You were homeless.
2. You were evicted in the past 6 months or were facing eviction or foreclosure.
3. You received a shut-off notice from a utility company.
4. You recently experienced domestic violence.
5. You recently experienced the death of a close family member.
6. You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property.
7. You filed for bankruptcy in the last 6 months.
8. You had medical expenses you couldn't pay in the last 24 months.

9. You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.

10. You expect to claim a child as a tax dependent who's been denied coverage in Medicaid and CHIP, and another person is required by court order to give medical support to the child. In this case, you do not have the pay the penalty for the child.

11. As a result of an eligibility appeals decision, you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace.

12. You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid under the Affordable Care Act.

13. Your individual insurance plan was cancelled and you believe other Marketplace plans are unaffordable.

How to apply for an exemption

If you are applying for an exemption based on: coverage being unaffordable; membership in a health care sharing ministry; membership in a federally-recognized tribe; or being incarcerated:

You have two options--

- You can claim these exemptions when you fill out your 2014 federal tax return, which is due in April 2015

- You can apply for the exemptions using the appropriate form found on https://www.healthcare.gov/exemptions/ :

Note: If you get an exemption because coverage is unaffordable based on your expected income, you may also qualify to buy catastrophic coverage through the Marketplace. This may be more affordable than your other options. For more information: https://www.healthcare.gov/can-i-buy-a-catastrophic-plan/

If you're applying for an exemption based on: membership in a recognized religious sect whose members object to insurance; eligibility for services through an Indian health care provider; or one of the hardships described above:

- You fill out an exemption application using the appropriate form found on https://www.healthcare.gov/exemptions/ :

If your income will be low enough that you will not be required to file taxes:

- You don't need to apply for an exemption. This is true even if you file a return in order to get a refund of money withheld from your paycheck. You won't have to make the shared responsibility payment.

If you have a gap in coverage of less than 3 months, or you are not lawfully present in the U.S.:

- You don't need to apply for an exemption. This will be handled when you file your taxes.