

Affordable Care Act

Pub 4012 – ACA Tab

Pub 4491 – Part 1 – Lesson 3

New ACA Wkt

- Preliminarily:

US	Affordable Care Act Worksheet	2015				
Name: <input type="text"/>		SSN: <input type="text"/>				
Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 <input type="radio"/> Yes <input type="radio"/> No						
Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for a Marketplace, household income, or gross income exemption? See Form 8965 <input type="radio"/> Yes <input type="radio"/> No						
<input type="text"/>	<input type="radio"/> Had minimum essential coverage and / or is applying for or was granted an exemption for the entire year					
Check the boxes for this person if this person did not have minimum essential coverage and is not claiming an exemption on Form 8965	<input type="radio"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year					
	<input type="radio"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year					
	<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"/> August	<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December	
<input type="text"/>	<input type="radio"/> Had minimum essential coverage and / or is applying for or was granted an exemption for the entire year					

SRP

Who is Responsible for Coverage?



- **Every Taxpayer!**
 - **For self, spouse and dependents**
 - **For someone that could be a dependent but is not claimed***
 - **Collectively, the “Tax Household”**
The definition is in Form 8965 instructions (and Pub 4491 p. 3-22)

*** See later slides**

Who is Responsible for Coverage?



- **Dependent that could be claimed by more than one taxpayer**
 - **Taxpayer with the higher priority in the tie-breaker rules is responsible for coverage**



Who is Responsible for Coverage – Unclaimed Dependent

- **Generally, Taxpayer that could claim the dependent is responsible for their coverage**
- **However**
 - **Coverage exemptions apply to the unclaimed dependent separately**
 - **IRS guidance assumes no exemption will be shown for an individual that is not claimed**
 - **Dependent cannot claim own exemption and does nothing with ACA**

Types of Exemptions

Pub 4012 ACA-6

Does the taxpayer already have an exemption from the Marketplace or have an application pending?

YES

Enter on Form 8965, Part I

NO

Does the taxpayer have income below the filing threshold?
Applies to the entire household for the entire year.

YES

Enter on Form 8965, Part II

NO

Exemptions for individuals (duration varies):

Short coverage gap	Code B
Resided in Medicaid non-expansion state	Code G
Certain noncitizens and citizens living abroad	Code C
Health care sharing ministry	Code D
Federally-recognized Indian tribe or eligible for IHS	Code E
Incarceration	Code F
Member of household born, adopted or died	Code H
Insurance is unaffordable	Code A
Aggregate cost of insurance is unaffordable	Code G

YES

Enter on Form 8965, Part III

NO

Does anyone qualify for a Marketplace hardship exemption?

YES

apply

Enter on Form 8965, Part I

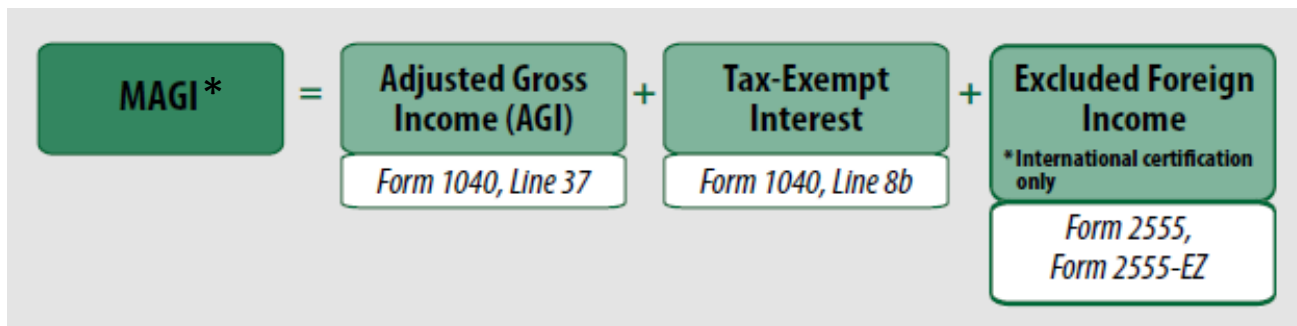
Form 8965 Part II

Filing Threshold Exemptions



Pub 4012 ACA-7

- “7a” exemption - **Household Income** below filing threshold, where Household Income =



- Include MAGI of **claimed** dependents required to file a return due to gross income

*MAGI = modified adjusted gross income for 8965

TW ACA Worksheet



- Bottom of ACA Wkt pg 2 provides a field to enter dependents' MAGI
- TaxWise has taxpayer's MAGI
- Enter dependents' MAGI on TaxWise ACA Wkt

6	Sum of the number of boxes checked on line 1 above for the year	0
7	Household income	39600
	Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero	10000
8	Filing threshold	0
9	Subtract line 8 from line 7	39600
10	Multiply line 9 by 1%	396

Filing Threshold Exemptions

- TaxWise shows Household MAGI on 8965 carried from ACA Wkt

US 8965 Health Coverage Exemptions 20XX

Part II: Coverage Exemptions for Your Household Claimed on Your Return

Filing threshold	11700
Household income from ACA worksheet	49600
Estimated gross income entered in this return	39600

Must enter on ACA Wkt

Types of Exemptions

Pub 4012 ACA-6

Does the taxpayer already have an exemption from the Marketplace or have an application pending?

YES

Enter on Form 8965, Part I

NO

Does the taxpayer have income below the filing threshold?
Applies to the entire household for the entire year.

YES

Enter on Form 8965, Part II

NO

Exemptions for individuals (*duration varies*):

Short coverage gap	Code B
Resided in Medicaid non-expansion state	Code G
Certain noncitizens and citizens living abroad	Code C
Health care sharing ministry	Code D
Federally-recognized Indian tribe or eligible for IHS	Code E
Incarceration	Code F
Member of household born, adopted or died	Code H
Insurance is unaffordable	Code A
Aggregate cost of insurance is unaffordable	Code G

YES

Enter on Form 8965, Part III

NO

Does anyone qualify for a Marketplace hardship exemption?

YES

apply

Enter on Form 8965, Part I

Short-Gap Exemption (code B)



- Gap must be **less than 3 consecutive months**
 - Exemption does not apply if gap is 3 months or more
 - Look back (to 2014) but no need to look forward (to 2016)
- If a month is covered by another exemption, it is treated as having coverage
 - Means short gap exemption is not used

Noncitizens or Citizen Living Abroad Exemption

- ITIN is **not** the same as unlawfully present
- SS number is **not** the same as lawfully present
 - Example: DACA (dream act) individuals have SS numbers, but are not lawfully present
- Need to ask status in the interview

Noncitizens or Citizen Living Abroad Exemption

- **Applies per individual**
- **Applies to months of such status**

Adopted, Born or Died (code H)



- **No need to claim Exemption H if everyone in the household had coverage all year**
 - **Count full months lived or after the month of adoption**
- **If can't check full coverage box, use code H on Form 8965 for a member adopted, born or died during the year**

Affordability Exemptions

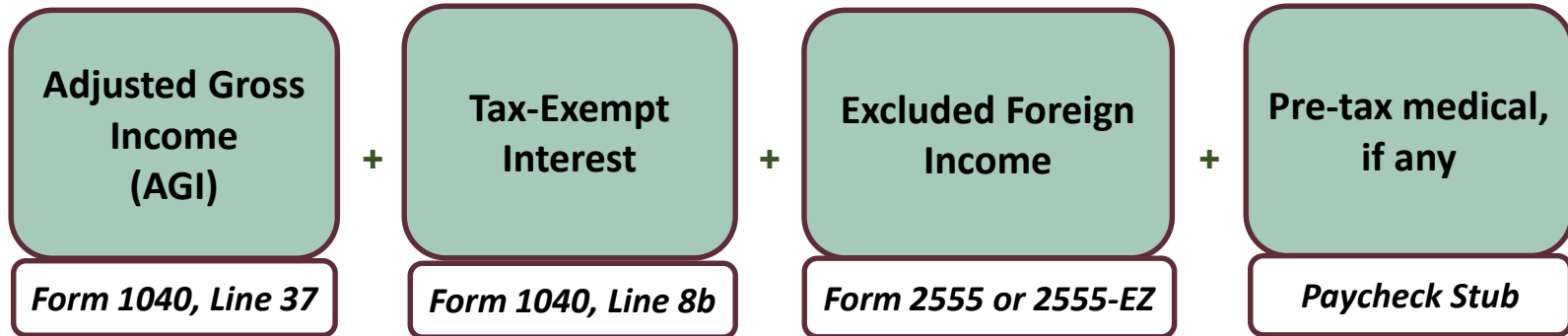


- **Two affordability exemption categories:**
 - 1. There is an offer of employer coverage**
 - 2. There is no offer of employer coverage**
- **Both test the applicable cost against the “affordability threshold”**
- **If coverage is unaffordable, the exemption applies**

Affordability Exemptions: “Affordability Threshold”



- Taxpayer’s Household Income (8965 MAGI) plus pre-tax medical, including
 - MAGI of **claimed** dependents who must file a return based on gross income



- Multiplied by 8.05% for 2015

Affordability Exemption: No Employer Offer (code A)



Pub 4012 ACA-10

- Does the net* cost of the lowest-cost bronze plan cost more than the affordability threshold?

*After PTC that the taxpayer is eligible to receive

- Need to look up plan costs for individuals and zip code!

Affordability Example: Employer Offer



Tommy, age 27 on 1/1/2015, lives in Arkansas zip 71631 (an expansion state), no coverage all year

Worked Jan and earned \$2,000

Employer offered coverage at \$185/ mo

Unemployed Feb – Oct and got \$8,200 of unemployment income

Eligible for Medicaid, but did not apply

Worked Nov – Dec and earned \$5,000

Employer coverage starts Jan 2016

**MAGI =
\$15,200**

Affordability Example: Tommy



- **No Marketplace exemption**
- **Above the filing threshold**
- **A citizen of the U.S.; not in a health care sharing ministry; not a member of an Indian tribe; not incarcerated**
- **Only possible exemptions**
 - **Affordability**
 - **Short gap**

Affordability Example: Tommy



- **Affordability for Jan – measured against employer offer (Tommy may have brought in a 1095-C with the information or he otherwise said how much it would have cost him)**
- **Affordability for Feb – Oct measured against LCBP (lowest cost bronze plan) with no PTC because Tommy was eligible for Medicaid; LCBP is \$175 / mo**
- **Affordability for Nov – Dec measured against LCBP net of PTC (not eligible for Medicaid with new job); LCBP is \$175 / mo, SLCSP is \$226 / mo**

Affordability Example: Tommy



- TaxWise computes affordability threshold:
 $\$15,200 \times 8.05\% = \$1,224$

TW

US	Affordability Worksheet	2015
Name: <u>TOMMY</u>		SSN: <u>100-82-5183</u>
Part A: Affordability Threshold		
1 Household income from ACA worksheet		15200
2 Premiums paid through a salary reduction arrangement and excluded from gross income		0
3 Total of lines 1 and 2		15200
4 Affordability threshold		1224

- Jan – employer offer $\$185 \times 12 = \$2,220$
 - Enter in affordability worksheet for January

TW

Members of your tax household		
	<u>TOMMY</u>	
January	2220	
February	0	
March	0	

MCA Wkt for Tommy: Feb - Oct



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		175
2	Household income		15200
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		15200
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		130 %
7	Applicable figure from the table in the instructions		0.0200
8	Multiply line 4 by line 7		304
9	Divide line 8 by 12		25
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 employer coverage (if filing jointly in the individual market), and who does not qualify for another coverage exemption for the month		0
11	Subtract line 9 from line 10		0
12	Subtract line 11 from line 1. This is the individual's required contribution for the month		175
13	This is the annualized monthly premium. Enter this amount in the Affordability Worksheet for each month the individual was eligible for marketplace coverage		2100

L 1: LCBP



L 10: No SLCSP – Tommy was eligible for Medicaid (F3 to clear the red)



Affordability Example: Tommy



- Continue to fill in the affordability worksheet

Members of your tax household	TOMMY
January	2220
February	2100
March	2100
April	2100
May	2100
June	2100
July	2100
August	2100
September	2100
October	2100
November	0
December	0

MCA Wkt for Tommy: Nov - Dec



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 a coverage exemption for the month

L 1: LCBP

175

15200

Although Tommy was employed Nov and Dec, he did not have an employer offer of coverage; use Marketplace Coverage Affordability Worksheet

Dependents

0
0

0

15200

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

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

130 %

7 Applicable figure from the table in the instructions

0.0200

8 Multiply line 4 by line 7

304

9 Divide line 8 by 12

25

10 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

L 10: SLCSP – Tommy was not eligible for coverage other than the individual market

226

11 Subtract line 9 from line 10

201

12 Subtract line 11 from line 10

Tommy would have gotten PTC for a net cost of zero

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

Finish Aff Wkt for Tommy



TW

1 Household income from ACA worksheet	15200
2 Premiums paid through a salary reduction arrangement and excluded from gross income	0
3 Total of lines 1 and 2	15200
4 Affordability threshold	1224

Part B: Required Contribution Amount

For each member of your tax household, enter in the columns provided the annual premium for the first option below that applies to that person. If the monthly premium is the same for the whole year, enter the annual premium in the space for each month. If the premiums cover only part of the year, use the Annualized Premium Worksheet to determine what the annualized premium would be for each month.

Options (use the first that applies to each member of your tax household, including you, for each month)

- 1 The lowest cost self-only policy offered to each member of your tax household by his or her employer.
- 2 The lowest cost family policy offered by your employer or your spouse's employer (if you are filing a joint return).
The policy must cover everyone in your tax household for whom a personal exemption is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption.
- 3 The amount from the Marketplace Coverage Affordability Worksheet

For each individual, coverage is unaffordable for the month and the individual is exempt if the Required Contribution Amount below is more than the Affordability Threshold in Part A. You must complete Part III of Form 8965 to apply for the coverage exemption.

**Not affordable Jan – Oct
Affordable Nov – Dec
But Tommy can claim short gap
exemption for Nov - Dec**

Members of your tax household	TOMMY						
January	2220	0					
February	2100	0					
March	2100	0					
April	2100	0					
May	2100	0					
June	2100	0					
July	2100	0					
August	2100	0					
September	2100	0	0	0	0	0	0
October	2100	0	0	0	0	0	0
November	0	0	0	0	0	0	0
December	0	0	0	0	0	0	0

Affordability Example: Tommy



- Enter exemption on Form 8965

Part III: Coverage Exemptions Claimed on Your Return for Individuals

TW

If you and / or a member of your tax household are claiming an exemption on your return, complete Part III.

If you need more space, use the continuation sheet to list additional individuals.

	a Name	b SSN	c Exemption type	d Full year	e Jan	f Feb	g Mar	h Apr	i May	j Jun	k Jul	l Aug	m Sep	n Oct	o Nov	p Dec
8	TOMMY		A	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	TOMMY		B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- NO SRP!!!

8965 Continuation

- If need more lines:

Check one: Spanish forms on the screen and printed. TW is

Your first name Initial Last name

Add a Form ✕

Search For:

Form	Description
Add 8965 Dup	Health Coverage Exemptions Continuation

ing add
e line 2.
ent hom
ode, cit
payer's e
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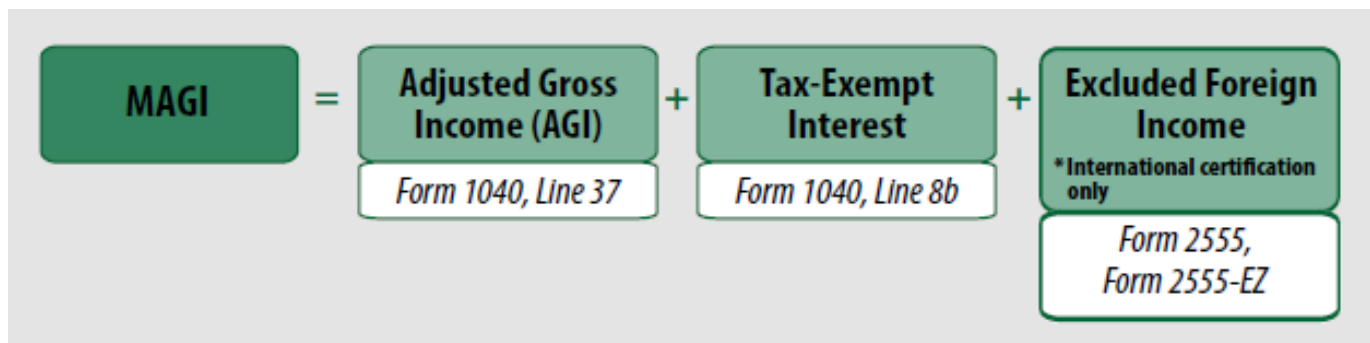
8965 Continuation

- Gives 10 more lines

US 8965		Health Coverage Exemptions												TW	2015		
Name: <input style="width: 90%;" type="text"/>		SSN: <input style="width: 100%;" type="text"/>															
Part I: Marketplace-Granted Coverage Exemptions for Individuals If you and / or a member of your tax household have an exemption granted by the Marketplace, complete Part I.																	
a Name of individual		b SSN				c Exemption certificate number											
1	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
2	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
3	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
4	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
5	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
6	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
7	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
8	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
9	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
10	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>				<input style="width: 100%;" type="text"/>											
Part III: Coverage Exemptions Claimed on Your Return for Individuals If you and / or a member of your tax household are claiming an exemption on your return, complete Part III.																	
a Name		b SSN		c Exemption type	d Full year	e Jan	f Feb	g Mar	h Apr	i May	j Jun	k Jul	l Aug	m Sep	n Oct	o Nov	p Dec
1	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<input style="width: 95%;" type="text"/>	<input style="width: 100%;" type="text"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Household Income for SRP

- Taxpayer's MAGI (and spouse if MFJ)
- Plus **claimed** dependent's MAGI – if dependent is required to file a return due to gross income
- MAGI is 8965 definition





ACA 2014 Revisited

- **IRS reported that too much SRP was paid when it was clearly not due**
- **Was SRP paid?**
 - **Confirm whether it was due**
 - **If not, confirm whether taxpayer received IRS correspondence on it**
 - **Consider amending the return**

PTC Eligibility



For each month:

- **Must have qualified health plan through Marketplace as of the first day of each month**
- **Taxpayer's share of premiums paid by due date of return**
- **Not eligible for other MEC – includes an offer, even if it was not taken**
 - **Affordable employer coverage**
 - **Government-sponsored coverage**
 - **Other HHS certified MEC**
- **Exceptions apply**

PTC Eligibility



For the year:

- **Household income within 100% to <401% of FPL**
- **Cannot be claimed as a dependent**
- **Cannot file MFS**
- **Exceptions apply**



PTC Eligibility – Eligible for Other MEC

Pub 974

Normally, cannot claim PTC if eligible for government-sponsored or affordable employer coverage, whether or not enrolled

- **Except for (can get PTC)**
 - **Transition month(s) when moving from one coverage to another**
 - **Retroactive coverage (e.g. retro Medicaid)**
 - **COBRA or retiree coverage not taken**



PTC Eligibility – Eligibility for Other MEC

- **Can get PTC even though covered by**
 - **Limited coverage Medicaid**
 - **AmeriCorps or AfterCorps (for returning Peace Corps)**
 - **Other coverage that is not MEC**
- **Note: ESI that is unaffordable or does not provide minimum value but is taken anyway is considered MEC for PTC purposes**

PTC Eligibility – Family Glitch

Pub 974

- An employee's tax family member is ineligible for PTCs if member is offered coverage and self-only coverage is affordable – example:

Employee-only offer at
6% of income

Employee and children
offer at 10% of income

Employee coverage is affordable, so children in the tax family are ineligible for PTC

- If no spousal ESI offer, spouse is eligible for PTC



PTC Eligibility

- **The Marketplace will make the eligibility determination based on truthful data provided by applicant**
- **The preparer can merely confirm that the facts have not changed**
- **The preparer can compute the final amount of PTC based on the final 2015 income**

Form 1095-A

- **1095-A Void box checked** VOID
 - It is voiding a previously issued 1095-A
 - Do not use the voided 1095-A nor the 1095-A previously received
- **1095-A Corrected box checked: use the 1095-A that is marked corrected** CORRECTED
- **If another taxpayer enrolled someone in taxpayer's tax family, need a copy of that 1095-A**

What is Household Income for PTC?



- **MAGI for the taxpayer (and spouse if MFJ)**
- **Plus**
 - **MAGI of any individual *claimed* as a dependent and who is required to file a federal income tax return due to gross income**
- **Having to file for self-employment tax does not count!**

Different Definitions of MAGI

Modified Adjusted Gross Income is AGI Plus:

Form 8962 (PTC)

- Tax-exempt interest
- **Untaxed Social Security benefits***
- **Untaxed foreign earned income****

Form 8965 (Exemptions/SRP)

- Tax-exempt interest
- **Untaxed foreign earned income****

* Includes untaxed lump-sum benefits received in 2015 and untaxed tier 1 RR

** Form 2555 Lines 45 + 50; or Form 2555-EZ Line 18

Household Income for PTC

- **TaxWise computes the MAGI for the taxpayer**
- **Preparer needs to determine:**
 - **Whether a dependent has to file a return**
 - **If so, the amount of dependent's MAGI for 8962 purposes (including untaxed SS)**

8962 in TaxWise (top part)



Pub 4012 ACA-16



Part I: Annual and Monthly Contribution Amount

1	Tax family size	2
2a	Modified AGI	50000
b	Enter total of your dependents' modified AGI	6767
3	Household income	56767
4	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	15730
5	Household income as a percentage of Federal poverty line	360 %
6	Is the result on line 5 401%? See instructions if the result is less than 100%. <input checked="" type="checkbox"/> No. Continue to line 7. <input type="checkbox"/> Yes. You are not eligible to receive PTC. If advance payment of the PTC was made, skip lines 7 and 8 and go to line 9. If you did not receive any advance payment of PTC, stop here. If the percentage on line 5 is less than 100%, did the taxpayer meet the requirements under "Estimated household income at least 100% of the Federal poverty line" or "Alien lawfully present in the United States" in the instructions?	<input type="radio"/> Yes <input type="radio"/> No



PTC Calculation – Missing Info



Form 1095-A does not have a SLCSP amount or has an incorrect SLCSP amount

- **Taxpayer can contact the Marketplace for the missing information**
- **Preparer can look up the SLCSP with the fewest number of policies possible using the ages at the beginning of the year**



PTC Calculation – Multiple Policies



- **Two or more individuals of the same tax family obtained separate policies**
- **Can add up the actual cost of their coverage (1095-A column A)**
- **Can add up the reported amount of APTC (1095-A column C)**
- **Cannot** add up the SLSCP quotes (1095-A column B)



PTC Calculation - Multiple Policies (cont.)



- **Need to look up the SLCSP quote using the ages at the beginning of the year**
- **Use fewest number of policies possible**
- **Can add up the SLCSP in some cases (pre-marriage months)**
- **See Pub 974 or 8962 instructions for more details**

PTC Calculation - Multiple Policies (cont.)



- **When taxpayer moves (particular from one state to another) they will have multiple Marketplace policies**
- **In that case, add up the SLCSP amounts shown on the 1095-A (do not recompute)**
- **See Pub 974 or 8962 instructions for more details**



PTC Calculation – Ineligible Individual on Policy



- **Form 1095-A may include coverage for an ineligible individual**
 - **May need to get new quotes for both the actual plan cost and the SLCSP**
 - **Check with site manager whether return will be prepared at your site**
- **See Pub 974**



PTC Calculation – Ineligible Individual on Policy



- **Examples**

- **An unlawfully present dependent on the same policy as a lawfully present parent**
- **An individual that was eligible for government-sponsored coverage but was included in the Marketplace policy for the same month**

➤ **See Pub 974**

PTC Calculation – Unclaimed Individual (special situation)



- **When APTC has been given by the Marketplace for an individual and**
- **That individual does not claim their own exemption deduction and**
- **No one else claims the individual as a dependent, then**
- **The person that enrolled the individual is responsible for reconciling the APTC**

PTC Calculation – Unclaimed Individual (special situation)



- **Possible situation:**
 - **Child lives with three different relatives during the year; each less than 6 months**
 - **Most of the child's support is provided by the state (e.g. TANF)**
 - **No relative can claim the child – not a qualifying child (resided together <6 months) nor qualifying relative (provided <½ of support)**

(Continued next slide)

PTC Calculation – Unclaimed Individual (special situation)



- **Possible situation (cont.):**
 - **If one of the relatives took out a Marketplace policy with APTC covering the child, they must reconcile the APTC on their return, even though they cannot claim the child**
 - **No PTC allowed for a nondependent**

Repayment of Excess APTC



Pub 4012 ACA-16

- Cap on repayment is based on Household MAGI* as a % of FPL

REPAYMENT LIMITS ON APTC		
Income (as % of FPL)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	None: Full repayment	None: Full repayment

- Full repayment if $\geq 400\%$ FPL
- No rounding of percentages!

*8962 definition

Last Minute Planning – Watch for Cliff Hangers



- **If it appears the taxpayer is near a benchmark income level, consider possible ways to reduce AGI**
 - **Household income is 200%, 300% or 400% of FPL**
- **Consider: deductible IRA (including a recharacterization of a Roth IRA to a traditional IRA), tuition & fees deduction (if extended), etc.**
- **Hint: test to see which education benefit is better after entering all return and ACA data**



Last Minute Planning - Special word on Scholarships / Grants (“Grants”)



- The student may elect to treat some or all of their grant as taxable income to increase an allowable education deduction or credit
- When taxable, the grant is considered *earned* income for the gross income test of filing requirement
- Once a filing requirement exists for the student, the student’s MAGI may have an ACA impact on the taxpayer’s return (e.g. parent’s return)



Last Minute Planning

- **If it appears MFJ taxpayers are having to repay a lot of APTC (e.g. at 450% of FPL)**
 - **Consider MFS status**
 - **They are no longer eligible for PTC**
 - **BUT the repayment cap may apply!**
- **MFS status may also help in the year of marriage instead of the alternative calculation, which is out of scope**
- **Refer to 8962 instructions**

PTC and Medical Insurance Itemized Deduction

- **The itemized deduction for 2015 is**
 - **Decreased for any additional PTC that is claimed on the 2015 return**
 - **Increased for any excess APTC that must be paid back with the 2015 return**

ACA – Scope Limitations



Pub 4012 ACA-17
Table 3

- **Form 8962, Part IV: Shared policies**
 - **A Marketplace policy that covers individuals that are not on the same tax return**
 - **Examples:**
 - ✱ **A recently divorced couple on one Mkt policy**
 - ✱ **Child covered in Mkt policy by one divorced parent but claimed by the other**
 - ✱ **Child covered on parent’s Mkt policy moves out and claims own exemption**

Intake & Interview 13614-C

- **Preparer** and **Reviewer** notations sample:

Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1. (B) Have health care coverage? <i>Short gap for spouse</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If Yes, Receive an advanced payment from the Marketplace to help pay your monthly health care payments?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

To be Completed by a Certified Volunteer Preparer (Use Publication 5041)			Health Care Coverage (MEC) for everyone listed on the return.														
Name (List dependents in the same order as in Part II)	MEC Entire Year	No MEC	Months												Exemption All Year	Notes	
Taxpayer	<i>Employer</i>		N D														
Spouse			N D													<i>Short gap exemption</i>	
Dependent <i>Jamie</i>	<i>w/ Dad</i>		N D														
Dependent <i>Linda</i>	<i>w/ Dad</i>		J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D		

A "no" answer on 3b means there's a shared policy (but this is not the only test)



ACA – Scope Limitations

Pub 4012 ACA-18

- **Form 8962, Part V: Alternative Calculation for Year of Marriage**
 - **See 5 questions in Pub 4012, p. ACA-18**
 - **Applies only when there is a Marketplace policy(ies) and there is excess APTC***
 - **If tentative 8962 shows additional PTC, alternative calculation does not apply and return is in scope***

***8962 instructions worksheet 3**

ACA – Scope Limitations

- **Self-employed individual's health insurance adjustment to gross income remains out of scope (greatly complicated if PTC is involved)**

Affordable Care Act

Questions



Comments

