

## ACA Examples

The following examples are intended to give VITA/TCE volunteers an opportunity to practice completing forms and worksheets associated with the Affordable Care Act (ACA) tax provisions in TaxWise. Background and interview notes are provided to prepare tax returns with various health insurance coverage scenarios that you may encounter.

All TaxWise screen shots are from TaxWise Online (TWO) Training Mode for TY 2015. Because the official 2015 Marketplace tax tools are not yet available, all entries that the lowest cost bronze plan (LCBP) and second lowest cost silver plan (SLCSP) at healthcare.gov use the 2014 tools. The tools are:

LCBP: <https://www.healthcare.gov/taxes/tools/bronze/>

SLCSP: <https://www.healthcare.gov/taxes/tools/silver/>

### General Instructions

- All taxpayer names and Social Security numbers provided in the scenarios are fictitious.
- When entering Social Security numbers (SSNs), replace the Xs with your unique User ID (in Practice Lab) or, if using other forms of the software, replace the Xs as directed.
- Complete tax return information is not provided. For the purposes of these exercises, ignore the red marks in the practice tax returns and any other tax issues raised.
- Assume these taxpayers did not receive a taxable state refund in 2015.
- For the purposes of the premium tax credit calculations on Form 8962, use “Other 48 states and DC” so your calculations will match the provided answers.
- For all scenarios, assume that the identity and Social Security cards were checked for all individuals on the intake sheet.
- Assume all wage income and 1099-MISC income was from employer: 36-3XXXXXX, Big Company, Chicago, IL, 60626.

## EXAMPLE 1A – ADAMS

### Interview Notes

- Fred and Sandy Adams are married and will file a joint return. They lived in Austin, TX (zip code: 78704) all year.
  - Fred: 678-XX-XXXX; DOB: 12/1/1953
  - Sandy: 679-XX-XXXX; DOB 11/2/1955
- Fred and Sandy have two tax dependents: their daughter Janey and Janey's daughter, Ava, who lived with them all year. (All tests for dependency have been met.)
  - Janey: 675-XX-XXXX; DOB: 2/12/1988
  - Ava: 676-XX-XXXX; DOB: 9/27/2015
- Sandy's Form W-2 shows:
  - Box 1: \$45,000
  - Box 2: \$3,200
- Janey lived with her parents all year and was employed at the beginning of 2015. She had wage income of \$3,500.
- Fred and Sandy were enrolled in employer-sponsored insurance through Sandy's job for the entire year.
- Janey had health insurance through her own employer from January 14 until March 3. Janey was uninsured until she enrolled in Medicaid, effective April 23. She remained covered for the rest of the year.
- Ava was enrolled in Medicaid from birth until the end of the year.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

- 1. How is coverage noted on the ACA Worksheet for each individual?**
- 2. What is the amount on Form 1040, Line 61?**
- 3. Is it necessary to complete Form 8965? If so, which exemption is claimed and for whom?**

## EXAMPLE 1B

All of the facts are the same as above except:

- Janey was uninsured January through March before enrolling in Medicaid in April. She remained covered the rest of the year. Assume that no exemptions apply for January through March.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

- 4. How is coverage noted on the ACA Worksheet for each individual?**
- 5. What is the amount on Form 1040, Line 61?**
- 6. Is it necessary to complete Form 8965? If so, which exemption is claimed and for whom?**

## **EXAMPLE 2 – BACON**

### Interview Notes

- Jonah Bacon is an adult filing as Single.
  - Jonah: 681-XX-XXXX; DOB: 3/12/1964
- He lived in Tampa, FL (zip code: 33612) all year.
- Jonah's Form W-2 shows:
  - Box 1: \$8,500
  - Box 2: \$137
- Jonah had no other income.
- Jonah did not enroll in health insurance at any point during the year.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

- 1. How is coverage noted on the ACA Worksheet for Jonah?**
- 2. What is the amount on Form 1040, Line 61?**
- 3. Is it necessary to file Form 8965? If so, which exemption is claimed?**

### EXAMPLE 3 – CENDRICK

#### Interview Notes

- Anna Cendrick divorced Mark in 2013.
- Anna will file as Head of Household with one tax dependent, her daughter Cindy Lou.
- Anna had coverage all year through her employer. She received Form 1095-B showing her coverage.
- Cindy Lou was insured through her father’s employer all year, under the terms of the divorce decree. Anna did not contribute to the cost of the insurance coverage. Anna does not have Form 1095-B or -C showing Cindy Lou’s coverage.

|  |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
|--|--------------------|---|-------------------------------------|---|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Form 1095-B</b><br>Department of the Treasury<br>Internal Revenue Service   |                    | <b>Health Coverage</b>                                      |                                     | <input type="checkbox"/> VOID<br><input type="checkbox"/> CORRECTED | 560115<br>OMB No. 1545-2252<br><b>2015</b> |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| ▶ Information about Form 1095-B and its separate instructions is at <a href="http://www.irs.gov/form1095b">www.irs.gov/form1095b</a> . |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| <b>Part I Responsible Individual</b>   |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 1 Name of responsible individual(s)<br><b>Anna Cendrick</b>  |                    | 2 Social security number (SSN)<br><b>XXX-XX-XXXX</b>        |                                     | 3 Date of birth (if SSN is not available)                           |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 4 Street address (including apartment no.)<br><b>110 Broadway St</b>   |                    | 5 City or town<br><b>San Antonio</b>                        |                                     | 6 State or province<br><b>TX</b>                                    |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
|  |                    |   |                                     | 7 Country and ZIP or foreign postal code<br><b>78205</b>            |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 8 Enter letter identifying Origin of the Policy (see instructions for codes): . . . . . ▶ <b>B</b>                                     |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| <b>Part II Employer Sponsored Coverage</b> (see instructions)  |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 10 Employer name   |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 11 Employer identification number (EIN)  |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 12 Street address (including room or suite no.)  |                    | 13 City or town   |                                     | 14 State or province  |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
|  |                    |   |                                     | 15 Country and ZIP or foreign postal code                           |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| <b>Part III Issuer or Other Coverage Provider</b> (see instructions)   |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 16 Name<br><b>Big Ins Co</b>   |                    | 17 Employer identification number (EIN)<br><b>XX-XXXXXX</b> |                                     | 18 Contact telephone number<br><b>XXX-XXX-XXXX</b>                  |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| 19 Street address (including room or suite no.)<br><b>101 Main St</b>  |                    | 20 City or town<br><b>Lexington</b>                         |                                     | 21 State or province<br><b>KY</b>                                   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
|  |                    |   |                                     | 22 Country and ZIP or foreign postal code<br><b>40512</b>           |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| <b>Part IV Covered Individuals</b> (Enter the information for each covered individual(s).)   |                    |   |                                     |   |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
| (a) Name of covered individual(s)  | (b) SSN            | (c) DOB (if SSN is not available)                           | (d) Covered all 12 months           | (e) Months of coverage  |  |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
|  |                    |   |                                     | Jan   | Feb  | Mar                      | Apr                      | May                      | Jun                      | Jul                      | Aug                      | Sep                      | Oct                      | Nov                      | Dec                      |
| 23 <b>Anna Cendrick</b>  | <b>XXX-XX-XXXX</b> |   | <input checked="" 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"/> |

Answer the following questions. It is not necessary to complete a tax return.

1. Does it matter that Anna has documentation of her own coverage but not of Cindy Lou’s coverage?
2. Mark enrolled and paid for Cindy Lou’s coverage. Is Anna eligible to report Cindy Lou’s coverage on her tax return?
3. How can Anna obtain evidence of Cindy Lou’s coverage?

## EXAMPLE 4A – DALLAS

### Interview Notes

- Gregory and Alice Dallas are married and file jointly. They have no tax dependents.
  - Gregory: 682-XX-XXXX; DOB: 4/8/1987
  - Alice: 683-XX-XXXX; DOB: 12/13/1985
- They lived in Oklahoma City, OK (zip code: 73111) all year.
- Gregory's Form W-2 shows:
  - Box 1: \$18,000
  - Box 2: \$1,500
- Alice's Form W-2 shows:
  - Box 1: \$24,000
  - Box 2: \$1,900
- Gregory was enrolled in employer-sponsored insurance for the entire year. His share of the insurance premium was \$84 per month for coverage for himself only. Premiums of \$84 per month (\$1,008 for the year) were paid through a salary reduction agreement and excluded from gross income.
- Gregory's employer also offered family coverage at a cost of \$98 per week.
- Alice's employer did not offer insurance coverage. Alice did not enroll in coverage through Gregory's employer. Alice was uninsured all year.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

**1. How is coverage noted on the ACA Worksheet?**

**2. What is the amount on the Part A, Line 4 of the Affordability Worksheet?**

**3. What is the amount in the table in Part B of the Affordability Worksheet for each month January through December?**

**4. Is it necessary to complete Form 8965? If so, which exemption is claimed?**

**5. What is the amount on Form 1040, Line 61?**

## **EXAMPLE 4B**

### Interview Notes

All of the facts above are the same except:

- Alice's employer offered insurance coverage at a cost of \$150 per month for Alice's coverage only. Alice was employed there from January to July. She did not enroll and was uninsured.
- At her next job, which began in August, she was not offered insurance coverage. She was uninsured.
- (Assume her total income was the same as in Example 4A.)

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

**6. For January through July, which plan cost is used to determine affordability in the table in Part B of the Affordability Worksheet? For August through December?**

**7. For which months is Alice eligible for an exemption? How does she claim it?**

**8. How is the ACA Worksheet completed for Alice?**

**9. What is the amount on Form 1040, Line 61?**

## EXAMPLE 5A – EVANS

### Interview Notes

- Max Evans is Single and has no dependents.
  - Max: 684-XX-XXXX; DOB: 7/21/1984
- He lived in Johnstown, PA all year (zip code: 15905, Cambria County).
- Max was unemployed and had no income January through March.
- He started a new job on April 28 and remained in that job for the rest of the year. He was not offered employer-sponsored coverage.
- His Form W-2 shows:
  - Box 1: \$17,500
  - Box 2: \$800
- Max was uninsured all year.

Prepare the ACA Worksheet, Affordability Worksheet and Marketplace Affordability Worksheet in TaxWise.

**1. What lowest cost bronze plan (LCBP) premium is entered on Line 1 of the Marketplace Affordability Worksheet?**

**2. What second lowest cost silver plan (SLCSP) premium is entered on Line 10 of the Marketplace Affordability Worksheet?**

**3. What number is on Part B, Line 3 of the Affordability Worksheet?**

**4. What is the amount on Form 1040, Line 61?**

## EXAMPLE 5B – EVANS

### Interview Notes

All of the facts above are the same except:

- The job Max started on April 28 offered health coverage, starting immediately. Max's share of the premium was \$85 per pay period (every 2 weeks) beginning on April 28. Max did not enroll.
- Use the Annualized Premium Worksheet (from Form 8965, p. 8) to compute the premium for the part-year period when Max was offered employer-sponsored coverage. There are 18 pay periods between April 28 and the end of the year and insurance costs \$85 per pay period.

| Annualized Premium Worksheet  |  |
|---|--|
|  | Complete a separate worksheet for each part-year period. |
| 1. Enter the premiums paid during the part-year period                              | _____  |
| 2. Enter the number of full months in the part-year period                          | _____  |
| 3. Divide line 1 by line 2  | _____  |
| 4. Multiply line 3 by 12.0. This is your annualized premium                         | _____  |

**5. What is the result (Line 4) of the Annualized Premium Worksheet?**

**6. Does Max qualify for the affordability exemption for any months of 2015?**

**7. What is the amount on Form 1040, Line 61?**

## **EXAMPLE 6 – GORDON**

### Interview Notes

- Summer Gordon is Single with no dependents.
  - Summer: 688-XX-XXXX; DOB: 3/11/1992
- She lived in Los Angeles, CA, all year (zip code: 90017, Los Angeles County).
- Summer's Form W-2 shows:
  - Box 1: \$13,000
  - Box 2: \$400
- Summer's LCBP is \$166.
- Summer was not offered insurance by her employer and was uninsured all year.
- California is a Medicaid expansion state and Summer has income that qualifies her for Medicaid.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

- 1. What second lowest cost silver plan (SLCSP) premium is entered on Line 10 of the Marketplace Affordability Worksheet?**
- 2. What is the amount on Line 13 of the Marketplace Affordability Worksheet?**
- 3. Can Summer claim the affordability exemption for the year?**

## EXAMPLE 7 – FINCH

### Interview Notes

- Jacob and Mary Ellen Finch are married and will file jointly.
  - Jacob: 685-XX-XXXX; DOB: 10/13/1949
  - Mary Ellen: 686-XX-XXXX; DOB: 11/14/1952
- They lived in Flagstaff, AZ (zip code: 86003, Coconino County) all year.
- Their granddaughter, Allison Smith, qualifies and is claimed as their tax dependent. She moved in with them in January and lived with them all year.
  - Allison: 687-XX-XXXX; DOB: 7/14/2007
- Mary Ellen's W-2 shows:
  - Box 1: \$22,000
  - Box 2: \$400
- Jacob is retired. He collects \$1,100 per month in Social Security benefits.
- Jacob was enrolled in Medicare all year.
- Allison was enrolled in the Children's Health Insurance Program (CHIP) all year.
- Mary Ellen was uninsured and was not offered insurance through her employer.
- In the LCBP and SLCSP tools (as needed), use the following ages: Jacob – 65; Mary Ellen – 62; Allison - 7

Prepare the ACA Worksheet, Affordability Worksheet and Marketplace Affordability Worksheet in TaxWise.

- 1. On the Marketplace Affordability Worksheet, which family members are included in Line 1? What is the amount on Line 1?**
- 2. On the Marketplace Affordability Worksheet, which family members are included in Line 10? What is the amount on Line 10?**
- 3. What is Mary Ellen's annualized premium (the result of the Marketplace Affordability Worksheet)?**
- 4. Is Mary Ellen eligible for the affordability exemption?**
- 5. What is the amount on Form 1040, Line 61?**

## EXAMPLE 8 – COOK

### Interview Notes

- Doug and Mabel Cook are married and will file jointly.
  - Doug: 695-XX-XXXX; DOB: 10/13/1949
  - Mabel: 696-XX-XXXX; DOB: 11/14/1952
- They lived in Flagstaff, AZ (zip code: 86003, Coconino County) all year.
- Their grandson, Billy Smith, qualifies and is claimed as their tax dependent.
  - Billy: 697-XX-XXXX; DOB: 7/14/2007
- From January to May, Billy lived with his mother in Waco, TX (zip code: 76705, McLennan County).
- Billy moved in with Doug and Mabel on June 1.
- Mabel's W-2 shows:
  - Box 1: \$22,000
  - Box 2: \$1,200
- Doug is retired. He collects \$1,100 per month in Social Security benefits.
- Doug was enrolled in Medicare all year.
- Mabel was enrolled in insurance offered by her employer all year.
- Billy was uninsured all year. He did not have access to employer-sponsored insurance at any point. While living in Texas, Billy was eligible for Medicaid but was not enrolled. After he moved to Arizona, he continued to be eligible for Medicaid and was uninsured until September, when the school helped his grandparents enroll him in Medicaid.
- In the LCBP and SLCSP tools (as needed), use the following ages: Doug – 65; Mabel – 62; Billy - 7

**Hint:** The LCBP and SPCSP tools require everyone to be in the same zip code. If they are not in the same zip code, use the tool for each zip code for the person living in that zip code. Add the amounts together.

Prepare the ACA Worksheet, Affordability Worksheet and Marketplace Affordability Worksheet in TaxWise.

- 1. Billy lived in Texas at the beginning of the year. Is he eligible for the exemption for residing in a state that did not expand Medicaid (Code G)?**
- 2. On the Marketplace Affordability Worksheet, who is included on Line 1 of the Marketplace Affordability Worksheet?**
- 3. What is the amount on Line 1?**
- 4. On the Marketplace Affordability Worksheet, who is included on Line 10?**
- 5. Is Billy eligible for an exemption based on affordability?**
- 6. What is the amount on Form 1040, Line 61?**

## EXAMPLE 9 – TESTER

### Interview Notes

- Jake and Nina Tester are married and will file a joint tax return.
  - Jake: 690-XX-XXXX; DOB: 1/17/1978
  - Nina: 691-XX-XXXX; DOB: 2/25/1977
- They lived in St Louis, MO all year (zip code: 63110)
- Their son, Roman, was born April 1 and is their tax dependent.
  - Roman: 692-XX-XXXX; DOB: 4/1/2015
- Jake had self-employment income of \$23,000 on a 1099-MISC. He had no expenses.
- Nina’s W-2 shows:
  - Box 1: \$15,500
  - Box 2: \$900
- Jake and Nina were enrolled in coverage through the health insurance marketplace for the entire year. They enrolled Roman in the same coverage; the coverage effective date was Roman’s date of birth. Below are excerpts of Jake and Nina’s two 1095-As.

Complete the ACA Worksheet in TaxWise and any other necessary tax forms.

1. What is the net premium tax credit?

2. Is it necessary to complete Form 8965 to claim a coverage exemption?

1095-A

| Part II Covered Individuals   |                            |                                |   |  |                              |
|-------------------------------|----------------------------|--------------------------------|---|--|------------------------------|
|                               | A. Covered individual name | B. Covered individual SSN      | C. Covered individual date of birth                       | D. Coverage start date                           | E. Coverage termination date |
| 16                            | NINA TESTER                |                                | 1/17/1978   | 01/01/2015                                       | 03/31/2015                   |
| 17                            | JAKE TESTER                |                                | 2/25/1977   | 01/01/2015                                       | 03/31/2015                   |
| 18                            |                            |                                |   |  |                              |
| 19                            |                            |                                |   |  |                              |
| 20                            |                            |                                |   |  |                              |
| Part III Coverage Information |                            |                                |   |  |                              |
|                               | Month                      | A. Monthly enrollment premiums | B. Monthly second lowest cost silver plan (SLCSP) premium | C. Monthly advance payment of premium tax credit |                              |
| 21                            | January                    | 480                            | 446   | 60   |                              |
| 22                            | February                   | 480                            | 446   | 60   |                              |
| 23                            | March                      | 480                            | 446   | 60   |                              |
| 24                            | April                      |                                |   |  |                              |
| 25                            | May                        |                                |   |  |                              |
| 26                            | June                       |                                |   |  |                              |
| 27                            | July                       |                                |   |  |                              |
| 28                            | August                     |                                |   |  |                              |
| 29                            | September                  |                                |   |  |                              |
| 30                            | October                    |                                |   |  |                              |
| 31                            | November                   |                                |   |  |                              |
| 32                            | December                   |                                |   |  |                              |
| 33                            | <b>Annual Totals</b>       | 1440                           | 1338  | 180  |                              |

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| <b>Part II Covered Individuals</b>   |                                |   |  |                        |                              |
|--------------------------------------|--------------------------------|---|--|------------------------|------------------------------|
|                                      | A. Covered individual name     | B. Covered individual SSN                                 | C. Covered individual date of birth              | D. Coverage start date | E. Coverage termination date |
| 16                                   | NINA TESTER                    | 691-XX-XXXX   | 02/25/1977                                       | 04/01/2015             | 12/31/2015                   |
| 17                                   | JAKE TESTER                    | 690-XX-XXXX   | 01/17/1978                                       | 04/01/2015             | 12/31/2015                   |
| 18                                   | ROMAN TESTER                   | 692-XX-XXXX   | 04/01/2015                                       | 04/01/2015             | 12/31/2015                   |
| 19                                   |                                |   |  |                        |                              |
| 20                                   |                                |   |  |                        |                              |
| <b>Part III Coverage Information</b> |                                |   |  |                        |                              |
| Month                                | A. Monthly enrollment premiums | B. Monthly second lowest cost silver plan (SLCSP) premium | C. Monthly advance payment of premium tax credit |                        |                              |
| 21 January                           |                                |   |  |                        |                              |
| 22 February                          |                                |   |  |                        |                              |
| 23 March                             |                                |   |  |                        |                              |
| 24 April                             | 560                            | 560   | 340  |                        |                              |
| 25 May                               | 560                            | 560   | 340  |                        |                              |
| 26 June                              | 560                            | 560   | 340  |                        |                              |
| 27 July                              | 560                            | 560   | 340  |                        |                              |
| 28 August                            | 560                            | 560   | 340  |                        |                              |
| 29 September                         | 560                            | 560   | 340  |                        |                              |
| 30 October                           | 560                            | 560   | 340  |                        |                              |
| 31 November                          | 560                            | 560   | 340  |                        |                              |
| 32 December                          | 560                            | 560   | 340  |                        |                              |
| 33 Annual Totals                     | 5040                           | 5040  | 3060   |                        |                              |

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