| **Step** | **Form / Note** | **TW Screen** | **Learning Points** |
| --- | --- | --- | --- |
| **37a** | **Notes** | **1040 ACA Wkt** | **Health Insurance** |
|  |  | Karl's and Carmen's First Lines | Since Karl and Carmen had Medicare all year, check the Full box on both their lines |
|  |  | Kendra's and David's First Lines | Since both Kendra and David purchased insurance through the Marketplace, check the Mkt box on both their lines. TW will populate Form 8965 in the forms tree |
|  |  |  | Check the Exm boxes on both their lines. TW will populate Form 8962 in the forms tree. By completing that form, you can determine whether Kendra and David actually qualify for an exemption for the months they did not have insurance |
|  |  | David's Second Line | TW checks any months for which David was under 18 at the beginning of the month. Therefore, all boxes are checked |
|  |  | Line 7 - First Line | TW calculates household income for the taxpayer and spouse based on the numbers already entered on the return. Their household income equals their Modified AGI (MAGI). MAGI = AGI (Line 37) + tax-exempt interest (Line 8b) + foreign earned income (Out of Scope for us) |
|  |  | Line 7 - Second Line | If any dependents on the return have income above the filing requirement thresholds listed on Pub 4012 Pg ACA-7, their income would have to be entered so that it could be included in household income. Since none of the Kent dependents have income, just "get the red out" |
| **37b** | **Notes** | **Form 8965** | **Health Coverage Exemptions** |
|  |  | Part I | None of the Kents have a Marketplace-granted exemption so just "get the red out" of Line 1 |
|  |  | Part II | Coverage Exemptions for the Household Claimed on the Return - Full-Year Exemptions for the Entire Family |
|  |  | - First Line | TW determines the filing threshold based on the filing status and ages of the taxpayer and spouse |
|  |  | - Second Line | TW transfers the household income from ACA Wkt Line 7 |
|  |  | - Third Line | TW calculates the gross income for the Kents. Gross income does not include any dependents' income. It includes only the income from Sch C (no expenses) and no losses from Sch D  |
|  |  | - Line 7a | Check to see if household income ($79,188) is below the filing threshold ($21,500). Since it isn't, check NO box |
|  |  | - Line 7b | Check to see if gross income ($89,632) is below the filing threshold ($21,500). Since it isn't, check NO box |
|  |  | Part III | Coverage Exemptions for Individuals Claimed on the Return  |
|  |  |  | Check Pub 4012 Pg ACA-6 to see if Kendra and/or David qualify for any exemptions for the months of July and August when they had no insurance. They qualify for exemption code B - short coverage gap (no coverage for less than 3 months)  |
|  |  | - Line 8 | Enter Kendra's name, SS # and Code B. Check July and August boxes for the months she is claiming an exemption |
|  |  | - Line 9 |  Enter David's name, SS # and Code B. Check July and August boxes for the months he is claiming an exemption |
| **37c** | **Notes** | **1040 ACA Wkt** | **Individual Shared Responsibility Payments (ISRP)** |
|  |  | Kara's Line | Kara had no health insurance from January through March. She also did not qualify for any exemptions. Check the boxes for those months so that TW will calculate an ISRP for 3 months |
|  |  | Kendra's and David's Lines  | Kendra and David had insurance through the Marketplace for January through June and through Kara's employer for September through December. They qualified for an exemption for July and August. Therefore, they do not owe an ISRP for any month |
|  |  | Lines 1 - 4  | TW totals up how many people owe an ISRP for every month. The totals for January - March are 1, for Kara's ISRP |
|  |  | Line 5 | TW calculates Kara's ISRP based on the flat dollar amount ($95) |
|  |  | Lines 6 - 10 | TW calculates Kara's ISRP based on 1% of household income that is above the filing threshold for Kara's filing status ($21,500) |
|  |  | Lines 11 - 14 | TW calculates the higher of the flat dollar amount or 1% of household income above the filing threshold. This is the ISRP that Kara owes ($144) |
|  |  | **1040 Pg 2** |  |
|  |  | Line 61 | TW transfers the ISRP from 1040 ACA Wkt ($144) |
| **37d** | **Notes** | **Form 8962** | **Premium Tax Credit (PTC)** |
|  |  | Line 2a | TW calculates the MAGI for the taxpayer and spouse, based on the numbers on the tax return ($81,240)NOTE: Definition of MAGI is different for PTC than it is for ISRP/exemptions. PTC MAGI also includes the tax-exempt part of Social Security  |
|  |  | Line 2b | If any dependents on the return have income above the filing requirement thresholds listed on Pub 4012 Pg ACA-7, their ISRP MAGA would have to be entered Since none of the Kent dependents have income, just "get the red out" |
|  |  | Line 4 | Check box for "Other 48 states and DC" so that TW knows the correct Federal poverty level (FPL) to use for NJ |
|  |  | Lines 5 and 6 | TW determines whether the Kents' household income is between 100 - 400% of the FPL. Since it is 295%, the Kents are eligible for a PTC |
|  |  | Line 9 | Answer NO to the question "Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation?" If the answer had been YES, the return would be Out of Scope |
|  |  | Line 10 | Answer NO to the question "Did all Forms 1095-A include coverage for January - December with no changes in monthly amounts on line 21 - 32 Columns A and B?" The PTC calculation will have to be done for each month separately |
|  |  | Lines 12 - 17 | Enter the numbers for January - June from the Kents' 1095-A. Columns A and B from the 1095-A go into Columns A and B on Form 8962. Column C would go into Column F; Column F is all zeros since the Kents chose not to take any advance PTC to help them pay their health insurance premiums during the year TW calculates the amounts for Columns C, D and E |
|  |  | Lines 24 - 26 | TW calculates that the Kents are entitled to a PTC of $516 |
|  |  | **1040 Pg 2** |  |
|  |  | Line 69 | TW transfers the PTC from Form 8962 ($516) |
| **37e** | **Notes** | **A Detail** | **Marketplace Health Insurance Premiums as an Itemized Deduction** |
|  |  | Insurance Premiums Paid Line | The insurance premiums that the Kents can claim for the Marketplace policy for Kendra and David equal the premiums they paid minus the PTC they will receive on their tax return ($3,600 - 516 = $3,084) |
|  |  | **NJ 1040 Pg 3** | **NJ Medical Expenses** |
|  |  | Line 30 | TW re-calculates the NJ medical expenses to include the Marketplace premiums they paid minus the PTC. NJ medical expenses now = $15,579 |
| **38** |  | **Diagnostics****Create e-File** |  |
|  |  |  | Run Diagnostics and correct errors as needed. Create the e-File |