

# Health Advocate

E-Newsletter of the National Health Law Program

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## Getting Ready for April – Tax Filing Considerations for Limited Income People under the ACA

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### Key Resources

[NHeLP's The Advocate's Guide to MAGI](#) provides information on tax households and countable income.

[Vermont Legal Aid's Health Insurance, Taxes and You](#) has information and trainings for legal services and assisters.

[IRS Publication 5187 - Health Care Law: What's New for Individuals & Families](#) provides a reader-friendly overview of ACA tax filing, reconciliation, and fees.

[Healthcare.gov/taxes](#) offers online tools and information on filing, exemptions, and reconciliation.

Coming in March's Health Advocate:

Medicaid Administration and Financing

Filing federal income taxes is often a dreaded task. However, new IRS forms and filing requirements may make filing 2014 taxes seem even more complex and confusing. April 15, 2015 marks the first federal income tax filing deadline where individuals and families must report to the IRS whether they had health insurance for the previous year.

Those who did not have coverage for the entire year may need to pay a fee if they do not qualify for a coverage exemption. In addition, those who received Advanced Premium Tax Credits (APTCs) to help purchase health insurance must file an income tax return, even if they normally would be exempt from filing, to reconcile the amount of the credit received with the amount for which they were eligible. Furthermore, those who qualify for Premium Tax Credits (PTCs), but who elected not to take them in advance, must file with the IRS to claim the credit for the 2014 tax year.

This month's Health Advocate describes the Affordable Care Act's (ACA) tax filing requirements and new IRS forms and offers tips and resources to help those receiving subsidized coverage through marketplaces file taxes this year.

### Reporting Minimum Essential Coverage

Beginning in 2014, the ACA's Individual Shared Responsibility Provision (ISRP) requires all U.S. citizens living in the United States, as well as lawfully present individuals, to have health insurance. When individuals file their federal income taxes for 2014, they must indicate whether each member of the tax family had [Minimum Essential Coverage](#) (MEC) for the entire year. Those who fail to have MEC must pay a fee for each month without coverage, unless they qualify for an exemption.

For most people, reporting MEC will be a simple process. The IRS recently revised the [Form 1040](#) to include a new check box to indicate full-year health coverage. (The check box appears in Line 61 of the revised Form 1040; Line 38 of the revised [Form 1040A](#); and Line 11 of the revised [Form 1040EZ](#)). No additional documentation or proof of MEC is required for 2014.

Other Taxes	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919 . . .	58		
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . .	59		
	60a	Household employment taxes from Schedule H . . . . .	60a		
	b	First-time homebuyer credit repayment. Attach Form 5405 if required . . . . .	60b		
	61	Health care: individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/> . . . . .	61		
	62	Taxes from: a <input type="checkbox"/> Form 8859 b <input type="checkbox"/> Form 8860 c <input type="checkbox"/> Instructions; enter code(s) . . . . .	62		

Most government-sponsored health programs – including Medicaid, the Children’s Health Insurance Program (CHIP), and TriCare – qualify as MEC. Qualified Health Plans (QHPs) purchased through marketplaces (also known as Exchanges), established under the ACA, as well as most employer-sponsored coverage, are also considered MEC. The IRS website ([Individual Shared Responsibility Provision - Minimum Essential Coverage](#)) outlines what health coverage qualifies.

Some forms of limited-scope Medicaid, such as services available through § 1115 demonstration projects, pregnancy-related Medicaid, family planning services and limited scope TB benefits, are not MEC. However, the [IRS provides temporary relief](#) from paying the 2014 ISRP fee by exempting enrollees in these programs.

**Note:** Very low income individuals and families are not required to file federal income taxes and [do not have to report MEC](#). Whether someone must file taxes is based upon age, income and filing status. However, if a low-income person chooses to file a federal tax return (for example, to obtain a refund), she must also indicate on the tax return whether she had MEC or claim the [exemption for persons below the tax filing threshold](#). (See Exemptions below).

If a dependent files federal income taxes, the person(s) claiming that individual as a dependent must report MEC for the entire tax household. See [IRS Publication 17](#) for the complete list of tax filing thresholds and the [Instructions for Form 1040](#) for more information on reporting MEC.

Tax filers should only check the box if everyone in their tax household had MEC for all twelve months of the year. If anyone experienced gaps in health coverage, he or she cannot check the box but may qualify for an exemption or may need to pay a fee for each month without MEC.

## Exemptions

Individuals can avoid paying a fee for the months they went without MEC if they qualify for one or more exemptions. Some exemptions must be granted by the marketplace; others must be claimed at the time of tax filing. All exemptions must be reported on new [IRS Form 8965](#).

Marketplace-granted exemptions include general hardship and religious exemptions, as well as exemptions when health coverage is unaffordable. The Centers for Medicare & Medicaid Services (CMS) posts marketplace exemption applications on its website – [How to apply for an exemption](#). Once approved, marketplaces must provide a Certificate of Exemption. Tax filers enter the Exemption Certificate Number (ECN) on their IRS Form 8965.

**Non-expansion states:** Low income residents of states that have not yet implemented the ACA’s Medicaid expansion to all adults up to 138 percent of the Federal Poverty Level (FPL) qualify for a [special exemption from MEC](#) and are not subject to the ISRP penalty. Individuals meeting the requirements may [claim this exemption](#) on their 2014 federal income tax return without obtaining an ECN from the Marketplace.



## Claiming PTCs and Reconciling APTCs

Under the ACA, individuals with annual income between 100% - 400% FPL (or lawfully present immigrants up to 400% FPL) may qualify for health insurance subsidies in the form of PTCs if they enroll in QHPs purchased through the marketplaces.

Those who qualify can claim the credit at tax filing, or can take advance payments of the credit (APTCs) to help defray QHP premiums. Everyone enrolled in marketplace coverage who receives APTCs must file federal income taxes, even if their household income falls below the mandatory filing threshold.

The IRS has developed two new tax forms for claiming and reconciling APTCs – Form 1095-A and Form 8962. The marketplaces issue [Form 1095-A](#) for everyone who purchases and enrolls in a QHP, just as an employer issues a W-2 for each worker. The 1095-A lists the coverage household (everyone who was covered under the same health plan), the total cost of the monthly premium, the cost of the [Second Lowest Cost Silver Plan \(SLCSP\)](#) used to calculate the proper PTC amount, and the APTC amount actually paid for each month of 2014, if applicable.

Using the information provided on Form 1095-A, tax filers must complete [Form 8962](#) to claim the PTC and account for the amount of APTCs received – a process called reconciliation. Those who over-estimated their projected income may be entitled to a higher PTC amount and may receive a refund. Those who under-estimated their projected income may be required to repay excess APTCs received. In addition, people who did not take their full credit amount in advance, failed to report a change in circumstance (such as a change in income or family size) or who got married or divorced during the year need to account for, and reconcile, APTCs received.

Marketplace enrollees should check their Form 1095-A to make sure the information it contains is accurate and report errors to the marketplace. The marketplace may issue a corrected Form 1095-A.

**Note:** Persons with marketplace subsidies cannot use the Form 1040EZ, and must file using either the Form 1040 or Form 1040A. However, those enrolled in Medicaid or CHIP, who have employer-sponsored or other qualified coverage, or who are exempt from the ISRP can continue to use the Form 1040EZ if they choose.

Tax filers, advocates, and assisters should carefully review the [Instructions for Form 8962](#), which include worksheets for calculating APTCs. The instructions also provide information on reducing the amount of excess APTC that may need to be repaid, for example, by using alternative calculations for individuals who married mid-year.

## Conclusion

As a brand new process, this first ACA tax filing season will certainly have its challenges. As with the first open enrollment, it will take all hands on deck to help troubleshoot problems, provide information and resources, and help consumers understand when to seek help. Health advocates need not suddenly become tax experts. However, developing a working understanding of the new ACA-related IRS forms and filings is essential for helping low-income populations obtain health coverage and keep them enrolled.

## Assistance for Low Income Taxpayers

- [Volunteer Income Tax Assistance \(VITA\) and Tax Counseling for the Elderly \(TCE\)](#) programs assist low-income persons with tax preparation.
- [Low-Income Taxpayer Clinics \(LITCs\)](#) represent low-income individuals in disputes with the Internal Revenue Service, including audits, appeals, collection matters and federal tax litigation.

## About Us

The National Health Law Program protects and advances the health rights of low income and underserved individuals. The oldest non-profit of its kind, NHeLP advocates, educates and litigates at the federal and state level.

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