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Experiment Station



Form	1040	Department of the Treasury
		U.S. Individual
Label		For the year Jan. 1–Dec. 31, Your first name and initials
(See instructions on page 14.)		If a joint return, spouse's
Use the IRS label.		Home address (number,
Otherwise, please print or type.		City, town or post office,
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The Affordable Care Act (ACA) and Income Taxes

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Individual Shared Responsibility Payment or ISRP (IRS Term)

- Most people refer to this as “the penalty” for not having health insurance that interfaces with tax return
- The IRS uses the term ISRP because individuals, like government and employers, have a responsibility to participate in the health insurance market
- ISRP is relatively low for tax year 2014 and increases in subsequent years



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ACA “Pay or Play” Rules

- **Individual Mandate:** “Everyone must have a health insurance plan starting in 2014.....or pay a federal government penalty” (certain exceptions apply: <http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>)
- **Employer Mandate:** “Employers must offer their workers adequate and affordable insurance if they have 50 or more employees, including seasonal ones, working 30 hours a week for more than 120 days.....or pay a federal government penalty”



More ACA Consumer Provisions

- Lowest income residents (< 138% of FPL) will be enrolled in Medicaid (legal residents only) in expansion states
- Higher income workers can get coverage through
 - Medicare (age 65+)
 - Employers
 - State health insurance marketplaces (see www.healthcare.gov)
 - Private market (e.g., insurance brokers, health co-ops)



ACA for Consumers: The Individual Mandate



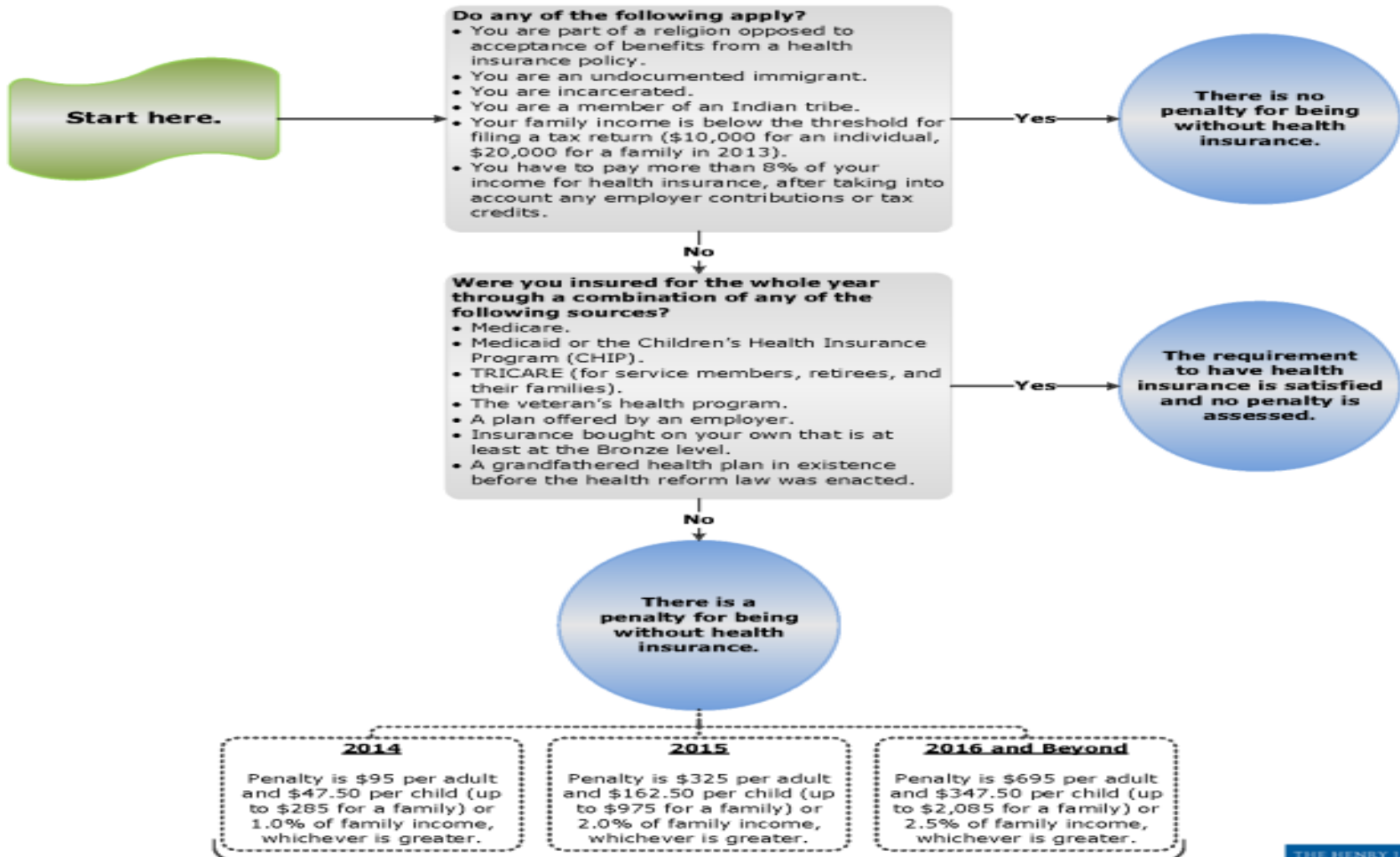
- Effective March 31, 2014, Americans must be enrolled in a health insurance plan
- With few exceptions, if you are not insured, and your income is over 138% of the FPL, you will be required to pay a penalty (tax) on income tax return
 - Penalty for no coverage will rise from \$95 for adults or 1% of family income, whichever is greater (2014), to \$695 or 2.5% of family income... (2016)
<http://kff.org/infographic/the-requirement-to-buy-coverage-under-the-affordable-care-act/>

ACA for Consumers: Individual Mandate (Continued)



- Children are also required to be insured. May be through
 - Public insurance (e.g. state's Children's Health Insurance Program or CHIP) or
 - Parents' obligations (via employer plan or private purchase); Fines for uninsured children are half that of the adults up to a family maximum (\$285 for 2014, \$975 for 2015, and \$2,085 for 2016)
- ACA tax is assessed on federal income tax return
 - May need to adjust estimated payments and/or W-4

The Requirement to Buy Coverage Under the Affordable Care Act Beginning in 2014



Income is defined as total income in excess of the filing threshold (\$10,000 for an individual and \$20,000 for a family in 2013). The penalty is pro-rated by the number of months without coverage, though there is no penalty for a single gap in coverage of less than 3 months in a year. The penalty cannot be greater than the national average premium for Bronze coverage in an Exchange. After 2016 penalty amounts are increased annually by the cost of living.

Health Insurance Marketplace

- Marketplaces are managed either by the state or federal government
- People can get help applying:
 - <https://localhelp.healthcare.gov/>
- 2015 Open enrollment period: 11/15/14- 12/15/15
- Qualifying life events are reasons for enrolling out of usual schedule (special enrollment)



<https://www.healthcare.gov/marketplace-deadlines/2015/>

Essential Health Benefits

Qualified Health Plans in the Marketplace must cover:

Ambulatory patient services	Maternity and newborn care
Emergency services	Prescription drugs
Mental health and substance use disorder services	Laboratory services
Rehabilitative and habilitative services and devices	Chronic disease management
Preventive and wellness services	Pediatric services, including oral and vision care

Different Levels of Plans



- 4 Levels of Coverage – Bronze, Silver, Gold, and Platinum
 - Each has a different value for level of coverage
 - **Bronze:** 60%. **Silver:** 70%. **Gold:** 80%. **Platinum:** 90% (adequacy values, how much plan vs. insured pays)
 - Any costs not covered by the plan are paid by individuals through deductibles, co-pays, co-insurance
- Each plan level must cover same minimum essential health benefits
 - What differs is amount of cost-sharing required
 - **Example:** Bronze plan will have the least generous coverage (60%) with more out-of-pocket costs

Health Insurance Subsidies

Two provisions to lower health insurance premiums and out-of-pocket costs for LMI households

- **Premium Tax Credits-** Help people pay monthly cost of having a Marketplace plan; based on family size and household income from 100% (138%) to **400%** of FPL
- **Cost-Sharing Reductions-** Decrease the charges that people having a Marketplace plan must pay OOP for deductibles, copayments, and coinsurance; must have income up to **250%** of FPL and be enrolled in a **Silver plan**



ACA Income Tax Resource

New IRS Publication 5187:

Health Care Law: What's New for Individuals and Families

<http://www.irs.gov/pub/irs-pdf/p5187.pdf>

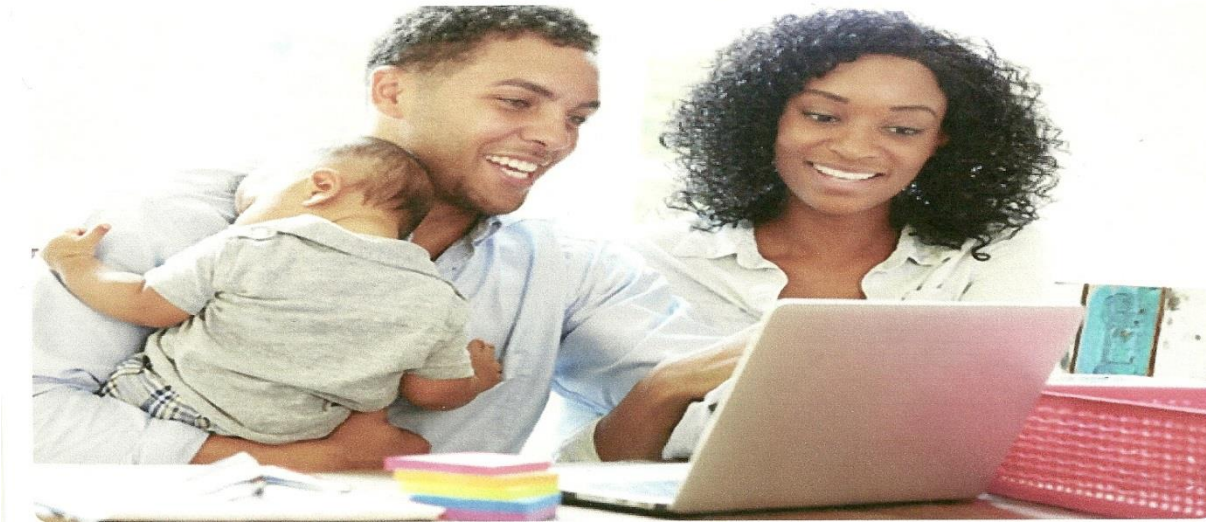


Health Care Law:
What's New for
Individuals & Families

PUBLICATION
5187

TAX YEAR 2014

Affordable Care Act (ACA)



Taxes and the ACA

- 2014 is first year EVER that health insurance impacts income taxes
- Two target audiences:
 - People uninsured for all or part of 2014
 - People with Marketplace health plan with premium tax credits
 - 85% of 6.5 million people with plans qualified for assistance
- Many people unaware that:
 - They may have to pay a fee if they are uninsured
 - They must reconcile their tax credits or claim tax credits for the first time
- Most (> 75%) taxpayers just need to check “Full-year Coverage” on Line 61 of tax form

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Taxpayers With a Marketplace Health Plan

- Will receive Form 1095-A in the mail from the Marketplace by January 31 (2/2/15 in 2015)
 - Even if you had coverage for only part of the year
 - Includes all tax household members in a qualified plan
- Form 1095-A form can also be downloaded at www.healthcare.gov
- Form 1095-A is needed to fill out Form 8962 to file with federal income tax return for the IRS
- Form 1095-A and copy of tax return should be saved with tax records



Form 1095-A Components

- Information about a tax filer and his/her household who were enrolled in a Marketplace qualified plan
- Information to complete federal income tax return Form 8962 (e.g., monthly premium amount)
- The amount of advanced premium tax credit paid to health plan provide on a consumer's behalf

The image shows a collage of IRS forms. On the left is Form 1095-A, titled 'Health Insurance', with 'Part I Recipient' and '1 Marketplace identifier'. In the center is Form 8962, titled 'Health Insurance', with 'Department of the Treasury Internal Revenue Service' and 'Name shown on your return'. On the right is Form 1040, titled 'U.S. Individual', with 'Department of the Treasury' and 'For the year Jan. 1-Dec. 31, Your first name and initials'.

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More About Form 1095-A

- People may get more than one Form 1095-A if anyone in family
 - Switched plans during year
 - Reported life changes (e.g., getting married, having a baby)
 - Had more than one Marketplace policy covering people in a household
- Check that form is correct and information matches personal records (e.g., coverage start and end dates)
- Includes info about “benchmark” premium used to compute premium tax credit
- People on Medicare, Medicaid, or CHIP do NOT get 1095-A



Advanced Premium Tax Credit (APTC) vs. PTC

APTC

- Determined by the **Marketplace** during application process
- Based on **estimated** household income and family size
- Paid to **insurance company** on behalf of consumer on a monthly basis

PTC

- Determined by **tax law** with submission of federal tax return
- Based on **actual** household income and family size
- Paid to **consumer (taxpayer)** after the end of tax year



APTC Reconciliation



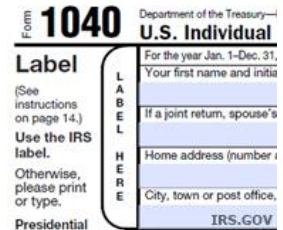
- IRS will reconcile total APTC received during the year with amount of PTC that people actually qualify for
- This is done when people file their income tax return
- If **APTC was < PTC** amount on Form 8962, **refund will increase** by the difference **or taxes owed will be lower**
- If **APTC was > PTC** amount on Form 8962, the difference will increase the amount owed and **refund will be smaller** or **there will be a balance due**

People Without Health Coverage (All of Part of Year)

- If people could afford to buy insurance but chose not to, they'll have to pay a fee unless qualified for an exemption
- Fee is based on income and number of months without coverage
- Either apply to the Marketplace for an exemption or complete Form 8965 with tax return to see if qualified (estimated 4% of Americans)
- Exemptions include: uninsured for < 3 months of year, hardship, incarceration, low income. See list at <https://www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/>



Fees Related to ACA Non-Payment



- Refunds (current year or future years) can be attached by the IRS to pay an ACA penalty due to
 - Having taken too much APTC
 - Not having insurance
- If no refund, amounts owed due to ACA penalty and ordinary income tax will be “separated” and not treated the same
- Congress did not give IRS authority to prosecute or use liens/levies for those who don’t pay health care fee

<https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/>

<http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision>

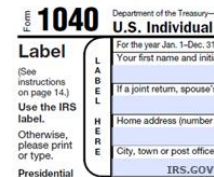
About ACA Fee



- Subsidies typically based on 2012 income must be reconciled with actual 2014 income
- People only pay fee for months that they did not have coverage or qualify for an exemption
- Taxpayers will not owe a penalty if they are late in paying ACA fee but interest will *still* accrue
- Maximum tax penalties apply: \$2,448 per person and \$12,240 for a family of 5 (2014 figures)
- People are allowed a single period of < 3 months without ACA compliant health insurance (in a year)

More About ACA Fee

- Amount due is reported on Line 61 of Form 1040 in the “Other Taxes” section (page 2)
- Form 8962 is complex: includes a matrix with 12 rows and 6 columns (72 boxes) to compute subsidies for each month
- Statements from employers (about workers having adequate coverage) were delayed until 2016 filing year
- Because this hasn’t been done before, it is a learning experience for everybody



Free Tax Preparation

- VITA-Volunteer Income Tax Assistance:
<http://irs.treasury.gov/freetaxprep/>

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- AARP-Tax Aide:
<http://www.aarp.org/applications/VMISLocator/searchTaxAideLocations.action>

- Other (United Way, Senior Centers, etc.)

<http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>

Questions? Comments? Experiences?



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