

2014 Affordable Care Act Provisions for Individuals, Families and Small Business



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Agenda

- Health Insurance Marketplace
- Individual Shared Responsibility Provision
 - Overview and Minimum Essential Coverage
 - Coverage Exemptions
 - Reporting
- Health Insurance Premium Tax Credit
 - Overview and Eligibility
 - Advance Payments of Premium Tax Credit
 - PTC Form 8962
- Small Business Health Care Tax Credit
 - Changes for 2014
- Resources



What is the Individual Shared Responsibility Provision?

Starting in 2014, everyone must either:

Have Minimum Essential Coverage*

OR

Have a Coverage Exemption

OR

Make a Shared Responsibility Payment

**Minimum essential coverage must be maintained each month*



What is Minimum Essential Coverage?

- Employer-sponsored plans, including COBRA and retiree coverage
- Coverage purchased in individual market and the new Marketplace
- Coverage under specified government-sponsored programs



What Qualifies as an Exemption?

Exemptions from coverage requirements:

- Member of a:
 - Recognized religious sect conscientiously opposed to accepting insurance benefits
 - Health care sharing ministry
 - Federally recognized Indian tribe
- No filing requirement
- Short coverage gap (< 3 months)



Additional Exemptions

- Hardship (Defined by HHS)
- No affordable coverage (> 8% HHI)
- Incarcerated
- Not lawfully present in U.S.



Getting an Exemption

- Obtained from Marketplace or IRS depending upon the type of exemption
- Exemptions from the Marketplace need to be obtained at the earliest opportunity
- Exemptions from the IRS can be obtained only by filing a federal tax return with new Form 8965



How is the Payment Calculated?

- Individual shared responsibility payment calculations are based on the **greater** of the percentage of income **OR** the flat dollar amount
- For families, the shared responsibility payment cannot exceed 3x the flat dollar amount
- The shared responsibility payment amount may not exceed an amount equal to the national average premium for bronze level qualified health plans

Greater of



	2014	2015	2016	After 2016
Percentage income (annual)	1% of household income	2% of household income	2.5% of household income	2.5% of household income
Flat dollar amount (annual)	\$95 per adult 50% for individuals under 18	\$325 per adult 50% for individuals under 18	\$695 per adult 50% for individuals under 18	\$695 per adult <i>plus</i> an increase based on cost of living 50% for individuals under 18



Sample Calculation

Facts:

- Single individual, no dependents
- No minimum essential coverage for *any* month
- Does not qualify for an exemption
- Household income = \$40,000
- Filing threshold = \$10,150

Payment calculation:

- *Percentage of income:*
 $\$40,000 - 10,150 = \$29,850$
 $1\% \times \$29,850 = \298.50
- *Flat dollar:* \$95

2014 ISRP = \$298.50 (\$298.50 is > \$95)

< the national average for bronze level coverage



Sample Calculation #2

Facts:

- Married w/two children under 18
- No minimum essential coverage for *any* month
- Does not qualify for an exemption
- Household income = \$70,000
- Filing threshold = \$20,300

Payment calculation:

- *Percentage of income:*
 $\$70,000 - 20,300 = \$49,700,$
 $1\% \times \$49,700 = \497
- *Flat dollar:* $\$285 = ((\$95 \times 2) + (\$95/2 \times 2))$

2014 ISRP = \$497 (\$497 is > \$285)

< the national average for bronze level coverage



IRS

What Information Documents Will an Individual Receive?

Starting with 2014 tax year:

- Form 1095-A, Health Insurance Marketplace Statement

Starting with 2015 tax year:

- Form 1095-B, Health Coverage
- Form 1095-C, Employer-Provided Health Insurance Offer and Coverage



IRS

How Will ISRP be Reported?

- Form 8965 is used to report or claim a coverage exemption
- Full year coverage is reported on the tax return
- Payment, if due, is reported and paid with the tax return



The Premium Tax Credit (PTC)

- Overview
- Eligibility
- Advance Payments of Premium Tax Credit
- PTC Form 8962



What is the Premium Tax Credit?

- Refundable tax credit claimed on new Form 8962 filed with Form 1040
- To help eligible individuals and families pay for health insurance
- Two payment options:
 - Get it **Now** – advance credit payments
 - Get it **Later** – without advance credit payments
- Marketplace administers Advance Payment of PTC



PTC Eligibility

You may be eligible if you meet all of the following:

- Buy health insurance through Marketplace
- Are ineligible for coverage through employer or government plan
- Are within certain income limits
- Do not file Married Filing Separate tax return unless you meet certain exceptions under criteria in section 1.36B-2T(b)(2) of the temporary regulations
- Cannot be claimed as a dependent by another person



2014 Income Limits are Based on 2013 Federal Poverty Line (FPL)

- One Individual:
\$11,490 (100% FPL) - \$45,960 (400% FPL)
- Family of Two:
\$15,510 (100% FPL) - \$62,040 (400% FPL)
- Family of Four:
\$23,550 (100% FPL) - \$94,200 (400% FPL)

Example: Based on the 2013 FPL, a family of four could have a household income up to and including \$94,200 and still be eligible for the PTC.



Key Considerations

- Advance credit payments are optional.
- Reconciling advance credit payments is required and a tax return *must* be filed.
- Differences between advance credit payments and the credit are likely.
- Changes in circumstances can affect the PTC amount.



Changes in Circumstances Can Affect the Credit

Changes in circumstances can affect:

- Eligibility for the PTC – even if not previously eligible
- Amount of the premium tax credit

Report changes to HealthCare.gov or state Marketplace website promptly

Reporting changes will help ensure receipt of the proper amount of advance payments of the premium tax credit



Major Changes in Circumstances

- Birth or adoption
- Marriage or divorce
- Increases or decreases in number of dependents
- Moving to another address
- Increase or decrease in your income
- Gaining or losing health care coverage or eligibility
- Changes in filing status

Note: For additional examples of life events go to [Healthcare.gov](https://www.healthcare.gov)



What Information Document will an Individual Receive?

Form 1095-A will be issued by the Health Insurance Marketplace

- Sent by January 31
- Shows:
 - Documentation of coverage by month
 - Premiums, and
 - Advance payments of PTC



How Does Reconciliation Work?

Advance payments	\$4,000
Calculation of PTC	- <u>\$3,000</u>
Difference	\$1,000
Repayment amount =	\$1,000 *

*Amount from Form 8962 that would be entered on Form 1040 (may be subject to a repayment cap)

Note: A tax return must be filed to reconcile advance credit payments regardless of any other filing requirement.



What's on PTC Form 8962

- Annual and Monthly Contribution
- PTC Claim and Reconciliation
- Repayment of Excess of Advance Payment
- Shared Policy Allocations
- Alternative Calculation for Marriage



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