Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, unexpected issues sometimes arise, or legislation is passed, necessitating a change to a draft form. In addition, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have at least some changes before being officially released.

Early releases of draft forms and instructions are at IRS.gov/draftforms. Please note that drafts may remain on IRS.gov even after the final release is posted at IRS.gov/downloadforms, and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at IRS.gov/formspubs.

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the Comment on Tax Forms and Publications page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

Department of the Treasury
Internal Revenue Service

2016 Instructions for Form 8965

Health Coverage Exemptions (and Instructions for Figuring Your Shared Responsibility Payment)

DRAFT AS OF September 22, 2016

For each month **you must either:**

Have Health Coverage
See the instructions for your tax return for information on reporting full-year coverage.

OR

Claim a Coverage Exemption on Form 8965

OR

Make a Shared Responsibility Payment
See *Shared Responsibility Payment* for information on how to figure your shared responsibility payment.

Future developments. For the latest information about developments related to Form 8965 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/form8965*.

What's New

Changes to coverage exemptions. Some changes have been made to the coverage exemptions available for 2016. See the Types of Coverage Exemptions chart to review the coverage exemptions that are available.

General Instructions

Purpose of Form

The individual shared responsibility provision requires each individual to have health care coverage, have a health coverage exemption, or make a shared responsibility payment with their tax return. Use Form 8965 to report a coverage exemption granted by the Marketplace (also called the "Exchange") or to claim a coverage exemption on your tax return. In addition, use these instructions to figure your shared responsibility payment if for any month you or another member of your tax household (defined later) had neither health care coverage nor a coverage exemption.

Reminder: If you need health coverage, visit *www.HealthCare.gov* to learn about health insurance options that are available for you and your family, how to purchase health insurance, and how you might qualify to get financial assistance with the cost of insurance.

Coverage exemptions. If you or another member of your tax household was granted a coverage exemption from the Marketplace, complete Part I of Form 8965. If you or another member of your tax household is claiming a coverage exemption on your tax return, complete Part II or Part III of Form 8965. Depending on your situation, you may need to complete one or more parts of the form.

Shared responsibility payment. You must make a shared responsibility payment if, for any month, you or another member of your tax household didn't have health care coverage (referred to as "minimum essential coverage") or a coverage exemption. See *Shared Responsibility Payment*, later, to figure your payment, if any. Report your shared responsibility payment on your tax return (Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11).

Who Must File

File Form 8965 to report or claim a coverage exemption if all of the following apply:

- You are filing a Form 1040, 1040A, or 1040EZ (even if you are filing it because you are a dual-status alien for your first year of U.S. residency or a nonresident or dual-status alien who elected to file a joint return with a U.S. spouse),
- You can't be claimed as a dependent by another taxpayer,
- For one or more months of 2016, you or someone else in your tax household didn't have minimum essential coverage, and
- You want to report or claim a coverage exemption for yourself or another member of your tax household.

Attach Form 8965 to your tax return (Form 1040, Form 1040A, or Form 1040EZ).

TIP *Form 8965 is used only to claim and report coverage exemptions. If you are unable to check the Full-year coverage box on your tax return, you do not need to report the months when you and other members of your tax household had minimum essential coverage.*

Not required to file a tax return. If you aren't required to file a tax return, your tax household is exempt from the shared responsibility payment and you don't need to file a tax return to claim the coverage exemption. However, if you aren't required to file a tax return but choose to file anyway, you must claim the

coverage exemption on line 7 of Form 8965. (See the instructions under *Part II*, later.)

Form 1040NR and Form 1040NR-EZ filers. If you file a Form 1040NR or Form 1040NR-EZ (including a dual-status tax return for your last year of U.S. residency) or someone claims a personal exemption deduction for you on a Form 1040NR or Form 1040NR-EZ, you are exempt from the shared responsibility payment. Don't attach Form 8965 to your Form 1040NR or Form 1040NR-EZ.

For more information see chapters 1 and 6 of Pub. 519.

DRAFT AS OF September 22, 2016

CAUTION *Only one Form 8965 should be filed for each tax household. If you can be claimed as a dependent by another taxpayer, you don't need to file Form 8965 and don't owe a shared responsibility payment.*

More Information

For more information on coverage exemptions, the shared responsibility payment, and other terms discussed in these instructions, including answers to frequently asked questions and links to the final regulations issued by the Treasury Department and IRS, go to *IRS.gov/srp*.

Types of Coverage Exemptions

The Types of Coverage Exemptions chart shows the types of coverage exemptions available and whether the coverage exemption may be granted by the Marketplace, claimed on your tax return, or both. If you are claiming a coverage exemption in Part III, the right-hand column of the chart shows which code you should enter in column (c) to claim that particular coverage exemption.

TIP *If you are eligible for a coverage exemption for 2016 that can be claimed on the tax return, claim it in Part II or Part III even if it can be granted by the Marketplace.*

If the coverage exemption can be granted only by the Marketplace (for example, a coverage exemption based on membership in certain religious sects or certain hardship exemptions), apply to the Marketplace for that coverage exemption before filing your tax return. If the Marketplace hasn't processed your application before you file your tax return, complete Part I and enter "pending" in column (c) for each individual listed.

Definitions

Tax household. For purposes of Form 8965, your tax household generally includes you, your spouse (if filing a joint return), and any individual you claim as a dependent on your tax return. It also generally includes each individual you can, but don't, claim as a dependent on your tax return. (But see *Dependents of more than one taxpayer*, later.) To find out if you can claim someone as your dependent, see *Exemptions for Dependents* in Pub. 501, Exemptions, Standard Deduction, and Filing Information, or *Line 6c—Dependents* in the instructions for Form 1040 or Form 1040A.

Birth, death, or adoption. An individual is included in your tax household in a month only if he or she is alive for the full month. Also, if you adopt a child during the year, the child is included in your tax household only for the full months that follow the month in which the adoption occurs. If each individual who is a member of your tax household for any month had coverage for all the months they were members of your tax household, you will check the Full-year coverage box on your return. For information on how to identify months during which an individual was not a member of your tax household for one of these reasons, see *Member of tax household born or adopted* and *Member of tax household died* in Part III, later. You should file Form 8965 to identify these months only if you are otherwise filing Form 8965 to claim a coverage exemption.

Dependents of more than one taxpayer. Your tax household doesn't include someone you can, but don't, claim as a dependent if the dependent is properly claimed on another taxpayer's return or can be claimed by a taxpayer with higher priority under the tie-breaker rules described in Pub. 501.

Household income. You will need to calculate your household income if any of the following apply:

- You wish to claim the coverage exemption for individuals with household income below the filing threshold,
- You wish to claim the exemption for coverage that is considered unaffordable, or
- You need to figure your shared responsibility payment.

For purposes of Form 8965, your household income is your modified adjusted gross income (MAGI) plus the MAGI of each individual in your tax household whom you claim as a dependent if that individual is required to file a tax return because his or her income meets the income tax return filing threshold. Use the Filing Requirements for Children and Other Dependents chart to determine whether your dependent is required to file his or her own tax return.

Modified adjusted gross income (MAGI). For purposes of Form 8965, your MAGI is your adjusted gross income plus certain other items from your tax return.

CAUTION *Your MAGI for purposes of the individual shared responsibility provision may be different than the MAGI that applies for other tax purposes, including the premium tax credit.*

If you file Form 1040. If you file Form 1040, figure your MAGI by adding the amounts reported on Form 1040, lines 8b and 37. If you claimed the foreign earned income exclusion, housing exclusion, or housing deduction, add the amounts from Form 2555, lines 45 and 50, or Form 2555-EZ, line 18. If your dependent has a filing requirement, but you elect to report the dependent's income on Form 8814, include the dependent's MAGI in the household income by adding Form 8814, line 1b and the smaller of Form 8814, line 4 or 5.

If you file Form 1040A. If you file Form 1040A, figure your MAGI by adding the amounts on Form 1040A, lines 8b and 21.

If you file Form 1040EZ. If you file Form 1040EZ, figure your MAGI by adding the amount on Form 1040EZ, line 4 and any tax-exempt interest reported in the space to the left of line 2.

TIP *You can use Step 3 under* Shared Responsibility Payment*, later, to figure your household income.*

Marketplace. A Marketplace, or Health Insurance Marketplace (also referred to as an "Exchange"), is a governmental agency or

Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2016, including information about where each can be obtained and the code that is to be used on Form 8965 when you claim the exemption. If your coverage exemption was granted by the Marketplace, you will need to enter the Exemption Certificate Number (ECN) provided by the Marketplace (see the instructions for *Part I*). For additional detail about the eligibility rules for the coverage exemptions that are claimed on the tax return, see the instructions for lines 8–13, column (c), later.

DRAFT AS OF

Coverage Exemption	Granted by Marketplace	Claimed on Tax Return	Code for Exemption
Income below the filing threshold—Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.		✓	No Code See Part II
Coverage considered unaffordable—The required contribution is more than 8.13% of your household income.		✓	A
Short coverage gap—You went without coverage for less than 3 consecutive months during the year.		✓	B
Citizens living abroad and certain noncitizens—You were: • A U.S. citizen or a resident alien who was physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months; • A U.S. citizen who was a bona fide resident of a foreign country or countries for an uninterrupted period that includes the entire tax year; • A bona fide resident of a U.S. territory; • A resident alien who was a citizen or national of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and you were a bona fide resident of a foreign country for an uninterrupted period that includes the entire tax year; • Not lawfully present in the U.S and not a U.S. citizen or U.S. national. For more information about who is treated as lawfully present in the U.S. for purposes of this coverage exemption, visit *www.HealthCare.gov*; or • A nonresident alien, including (1) a dual-status alien in the first year of U.S. residency and (2) a nonresident alien or dual-status alien who elects to file a joint return with a U.S. spouse. This exemption doesn't apply if you are a nonresident alien for 2016, but met certain presence requirements and elected to be treated as a resident alien. For more information, see Pub. 519.		✓	C
Members of a health care sharing ministry—You were a member of a health care sharing ministry.	*	✓	D
Members of Indian tribes—You were either a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	*	✓	E
Incarceration—You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	*	✓	F
Aggregate self-only coverage considered unaffordable—Two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8.13% of household income, as was the cost of any available employer-sponsored coverage for the entire family.		✓	G
Resident of a state that did not expand Medicaid—Your household income was below 138% of the federal poverty line for your family size and at any time in 2016 you resided in a state that didn't participate in the Medicaid expansion under the Affordable Care Act.		✓	G
Eligible for health coverage tax credit (HCTC)—You were eligible for the health coverage tax credit in the month. (For this purpose, you are considered eligible for the HCTC if you would have been eligible had you enrolled in HCTC-qualifying coverage.) This exemption is available only for July through December of 2016.		✓	G
Member of tax household born or adopted during the year—The months before and including the month that an individual was added to your tax household by birth or adoption. You should claim this exemption only if you are also claiming another exemption on your Form 8965.		✓	H
Member of tax household died during the year—The months after the month that a member of your tax household died during the year. You should claim this exemption only if you are also claiming another exemption on your Form 8965.		✓	H
Members of certain religious sects—The Marketplace determined that you are a member of a recognized religious sect.	✓		Need ECN See Part I
Ineligible for Medicaid based on a state's decision not to expand Medicaid coverage—The Marketplace found that you would have been determined ineligible for Medicaid solely because the state in which you resided didn't participate in Medicaid expansion under the Affordable Care Act.	✓		Need ECN See Part I
General hardship—The Marketplace determined that you experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
Coverage considered unaffordable based on projected income—The Marketplace determined that you didn't have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
Unable to renew existing coverage—The Marketplace determined that you were notified that your health insurance policy was not renewable and you considered the other plans available to be unaffordable.	✓		Need ECN See Part I
Certain Medicaid programs that are not minimum essential coverage—The Marketplace determined that you were (1) enrolled in Medicaid coverage provided to a pregnant woman that is not recognized as minimum essential coverage; (2) enrolled in Medicaid coverage provided to a medically needy individual (also known as Spend-down Medicaid or Share-of-Cost Medicaid) that is not recognized as minimum essential coverage; or (3) enrolled in Medicaid coverage provided to a medically needy individual and were without coverage for other months because the spend-down had not been met.	✓		Need ECN See Part I

*As of September 1, 2016, the coverage exemptions for members of health care sharing ministries, members of Indian tribes, and those who are incarcerated are no longer granted by the Marketplace, except in Connecticut. Taxpayers who have an ECN issued by the Marketplace for one or more of these three exemptions may report the ECN on a Form 8965 filed with their income tax return for 2016. Taxpayers who qualify for one or more of these exemptions but who do not have an ECN issued by the Marketplace may claim these exemptions on Part III of Form 8965.

nonprofit entity that makes qualified health plans available to individuals and grants certain coverage exemptions. The term "Marketplace" refers to state Marketplaces, regional Marketplaces, subsidiary Marketplaces, and the Federally-facilitated Marketplace.

Minimum essential coverage. Minimum essential coverage is health coverage that satisfies the requirement for individuals to have health coverage. Minimum essential coverage generally includes coverage under a government-sponsored program, coverage from your employer, and coverage under certain plans that you buy in the individual market. If you, or a member of your family, had minimum essential coverage in 2016, the entity that provided the coverage is required to send you, by January 31, 2017, a Form 1095-A, 1095-B, or 1095-C, that lists individuals in your family who were enrolled in minimum essential coverage and shows their months of coverage. Individuals enrolled in a qualified health plan through the Marketplace generally receive this information on Form 1095-A, Health Insurance Marketplace Statement. Individuals enrolled in health insurance coverage outside the Marketplace, in a government-sponsored program, or in certain other coverage generally receive this information on Form 1095-B, Health Coverage. Individuals enrolled in employer-sponsored coverage generally receive this information on either Form 1095-B or on Part III of Form 1095-C, Employer-Provided Health Insurance Offer and Coverage. For more information on these forms, see the instructions for Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11. The Types of Minimum Essential Coverage chart provides more information about the plans and arrangements that are minimum essential coverage.

Timing. You are considered to have minimum essential coverage for a month if you have it for at least 1 day during that month. For example, if you start a new job on June 26 and are covered under your employer's plan starting on that day, you are treated as having coverage for the entire month of June.

Foreign coverage. In general, coverage provided by a foreign employer to its employees and related individuals is minimum essential coverage. Individuals with such coverage should see Pub. 974, Premium Tax Credit (PTC) for more information on which coverage provided by a foreign employer is minimum essential coverage. However, coverage that an individual purchases directly from a foreign health insurance issuer or that is provided by the government of a foreign country doesn't qualify as minimum essential coverage unless it is recognized as minimum essential coverage by the Department of Health and Human Services (HHS). To find out if HHS has recognized particular forms of foreign coverage as minimum essential coverage, go to *www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html*, and scroll down and click on the link for the list of approved plans.

Coverage for business owners. Minimum essential coverage includes coverage provided to a business owner (such as a

DRAFT AS OF September 22, 2016

Filing Requirements for Children and Other Dependents

Use this chart to help you determine if a dependent you claimed on your return must file his or her own tax return. If the dependent is required to file a tax return because his or her income meets the filing threshold, the dependent's MAGI must be included in household income for purposes of Form 8965, even if you elect to report that dependent's income on Form 8814. Do not include a dependent's MAGI in household income if the dependent's income is below the filing threshold, even if he or she chooses to file a return for another reason.

TIP In this chart, **unearned income** includes taxable interest, ordinary dividends, capital gain distributions, unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

Single dependents. Was your dependent either age 65 or older or blind?

☐ **No.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over $1,050.
- His or her earned income was over $6,300.
- His or her gross income was more than the **larger** of—
  - $1,050, or
  - His or her earned income (up to $5,950) plus $350.

☐ **Yes.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over $2,600 ($4,150 if 65 or older **and** blind).
- His or her earned income was over $7,850 ($9,400 if 65 or older **and** blind).
- His or her gross income was more than the **larger** of—
  - $2,600 ($4,150 if 65 or older **and** blind), or
  - His or her earned income (up to $5,950) plus $1,900 ($3,450 if 65 or older **and** blind).

Married dependents. Was your dependent **either** age 65 or older **or** blind?

☐ **No.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over $1,050.
- His or her earned income was over $6,300.
- His or her gross income was at least $5 and his or her spouse files a separate return and itemizes deductions.
- His or her gross income was more than the **larger** of—
  - $1,050, or
  - His or her earned income (up to $5,950) plus $350.

☐ **Yes.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over $2,300 ($3,550 if 65 or older **and** blind).
- His or her earned income was over $7,550 ($8,800 if 65 or older **and** blind).
- His or her gross income was at least $5 and his or her spouse files a separate return and itemizes deductions.
- His or her gross income was more than the **larger** of—
  - $2,300 ($3,550 if 65 or older **and** blind), or
  - His or her earned income (up to $5,950) plus $1,600 ($2,850 if 65 or older **and** blind).

Types of Minimum Essential Coverage

Minimum essential coverage means health care coverage under any of the following programs. It does not, however, include coverage consisting solely of excepted benefits. Excepted benefits include stand-alone vision and dental plans, workers' compensation coverage, and coverage limited to a specified disease or illness.

Employer-sponsored coverage:

- Group health insurance coverage for employees under:
  - A plan or coverage offered in the small or large group market within a state,
  - A plan provided by a governmental employer, such as the Federal Employees Health Benefit program, or
  - A grandfathered health plan offered in a group market.
- A self-insured health plan for employees,
- COBRA coverage,
- Retiree coverage, or
- Coverage under an expatriate health plan for employees and related individuals.

Individual health coverage:

- Health insurance you purchase directly from an insurance company,
- Health insurance you purchase through the Marketplace,
- Health insurance provided through a student health plan,
- Catastrophic coverage, or
- Coverage under an expatriate health plan for non-employees such as students and missionaries.

September 22, 2016

Coverage under government-sponsored programs:

- Medicare Part A coverage,
- Medicare Advantage plans,
- Most Medicaid coverage,*
- Children's Health Insurance Program (CHIP) coverage,
- Most types of TRICARE coverage,
- Comprehensive health care programs offered by the Department of Veterans Affairs,
- Health coverage provided to Peace Corps volunteers,
- Department of Defense Nonappropriated Fund Health Benefits Program,
- Refugee Medical Assistance, or
- Coverage through a Basic Health Program (BHP) standard health plan.

Other coverage:

- Certain foreign coverage,
- Certain coverage for business owners, or
- Coverage recognized by HHS as minimum essential coverage.**

*Medicaid programs that provide limited benefits generally don't qualify as minimum essential coverage. However, individuals with certain types of limited-benefit Medicaid coverage qualify for a coverage exemption. See the Types of Coverage Exemptions chart.

**Plans recognized as minimum essential coverage are listed at: *www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html*, scroll down and click on the link for the list of approved plans.

partner or sole proprietor) under a plan that is eligible employer-sponsored coverage with respect to at least one employee.

Specific Instructions

Part I—Marketplace-Granted Coverage Exemptions for Individuals

If you or another member of your tax household has been granted a coverage exemption for one or more months from the Marketplace, or has an application for a coverage exemption for one or more months pending with the Marketplace, complete Part I to report these exemptions. Complete a line for each individual who was granted or has a pending application for a Marketplace-granted coverage exemption. If an individual was granted or has a pending application for more than one coverage exemption from the Marketplace, complete a separate line for each coverage exemption for that individual. If you need more space, attach a separate statement showing the information required in columns (a) through (c) for each additional coverage exemption.

Coverage exemptions that apply to multiple years. If you were granted a coverage exemption that applies for multiple years, you must report the coverage exemption on Form 8965 every year it applies. See *Duration* under *Members of certain religious sects* and *Members of Indian tribes*, later.

Lines 1–6

Column (a)—Name of Individual

Enter the name of each person in your tax household who was granted a coverage exemption from the Marketplace or has an application for a coverage exemption pending with the Marketplace. If the individual is listed on page 1 of your tax return, enter the name exactly as it appears on your tax return.

Column (b)—Social Security Number (SSN)

Enter the SSN of the individual listed in column (a). If the individual is listed on page 1 of your tax return, the SSN in this column should match the individual's SSN listed on your tax return.

No SSN. If the individual listed in column (a) doesn't have an SSN, see the following options for how to complete column (b).

- **IRS Individual Taxpayer Identification Number (ITIN) for Aliens.** If the individual listed in column (a) doesn't have and isn't eligible to get an SSN, enter the ITIN assigned to that person by the IRS.
- **Adoption Taxpayer Identification Number (ATIN).** If the individual was placed with you for legal adoption and you don't know his or her SSN, enter the ATIN assigned to that individual by the IRS.
- **No identification number.** If the individual listed in column (a) doesn't have an SSN, ITIN, ATIN, or other identification number from the IRS, leave column (b) blank for that individual.

DRAFT As of September 22, 2016

Column (c)—Exemption Certificate Number (ECN)

Enter the ECN that you received from the Marketplace for the individual listed in column (a). If you were granted a coverage exemption from the Marketplace, but didn't receive an ECN, or don't know your ECN, contact the Marketplace to obtain your ECN. If the Marketplace hasn't processed your application by the time you file, enter "pending."

If you enter "pending" and the Marketplace ultimately denies your coverage exemption (and you did not report or claim another coverage exemption with your original return), the IRS may contact you to collect your shared responsibility payment, or you may choose to file an amended tax return (Form 1040X) to make your shared responsibility payment or claim another exemption for which you are eligible.

TIP *The Marketplace exemption approval notice that you received also indicates the months for which the coverage exemption is granted. Do not enter that information in Part I. You will use that information to determine your shared responsibility payment, if any. See* Shared Responsibility Payment*, later.*

Members of certain religious sects (enter ECN). An individual may claim a coverage exemption for members of recognized religious sects only if the Marketplace has granted the individual an exemption. A recognized religious sect is a religious sect in existence since December 31, 1950, that is recognized by the Social Security Administration as conscientiously opposed to accepting any insurance benefits, including Medicare and social security.

Duration. If a member of your tax household was granted a coverage exemption as a member of a religious sect, you must report it on Form 8965 every year it applies. Once the Marketplace grants an individual this exemption, it generally applies each year unless the individual reports to the Marketplace that he or she no longer qualifies for the coverage exemption. However, for an individual granted the exemption before his or her 21st birthday, the exemption applies only until the first full month following the individual's 21st birthday. After that, the individual must apply to the Marketplace again for the exemption.

Hardship exemptions. In addition to the coverage exemption for members of recognized religious sects, certain hardship exemptions also may be granted only by the Marketplace. See the Types of Coverage Exemptions chart.

Members of Indian tribes. If the Marketplace granted a member of your tax household a coverage exemption for members of Indian tribes or for individuals eligible for services from an Indian health care provider, you may report the ECN on Form 8965. It applies until the individual is no longer a member of an Indian tribe or is no longer eligible for services from an Indian health care provider. Individuals who qualify for this exemption but do not have an ECN may claim the exemption on Part III of Form 8965.

TIP *Members of a health care sharing ministry, members of Federally recognized Indian tribes, individuals eligible for services from an Indian health care provider, and incarcerated individuals may have been granted a coverage exemption from the Marketplace or may claim a coverage exemption on their tax return. If you received one of these coverage exemptions from the Marketplace, follow the instructions for Part I to report your exemption. If you didn't receive a coverage exemption from the Marketplace and qualify to claim one of these exemptions on your tax return, see the instructions for Part III, later.*

Part II—Coverage Exemptions Claimed on Your Return for Your Household

Use Part II to claim a coverage exemption on behalf of your tax household because your household income or your gross income is less than your filing threshold. See Filing Thresholds for Most People, later, to figure your filing threshold.

TIP *If you aren't required to file a tax return because your gross income is less than your filing threshold, and you don't wish to file a return, your tax household is exempt from the shared responsibility payment and you don't need to file a return or do anything else to claim the coverage exemption. If your gross income is less than your filing threshold but you file a tax return for any reason, see the instructions for line 7 next.*

Line 7—Household Income or Gross Income Below Filing Threshold

You can claim a coverage exemption if your household income or gross income is less than your filing threshold.

Household Income

To claim this coverage exemption based on your household income, you must first figure your household income (see *Household income*, under *Definitions*, earlier). Then compare your household income to the filing threshold that applies to you based on your filing status. If your household income is less than your filing threshold, check the box on line 7.

If you qualify for this coverage exemption, everyone in your tax household is exempt for the entire year. You don't need to complete Part III.

Example 1. Lizzie and Fitz are both under age 65. They are married and have three children, all of whom they claim as dependents on their tax return. Lizzie and Fitz file Form 1040 as married filing jointly, report $16,000 of wages, and claim the earned income credit. One of their children, Charlie, received taxable interest of $1,100. Their other two children have no income. Lizzie and Fitz were uninsured all year and do not qualify for any other coverage exemption.

To see if they qualify to claim the coverage exemption on line 7 of Form 8965, they first calculate their household income. On their Form 1040, they have no amount on line 8b and $16,000 on line 37, so their MAGI is $16,000. They look at the Filing Requirements for Children and Other Dependents chart and see that since Charlie has $1,100 in unearned income, he is required to file his own tax return. On Charlie's Form 1040EZ, he has no entry beside line 1b and $1,100 on line 4, so his MAGI is $1,100. Their household income is $17,100 ($1,100 of Charlie's MAGI plus Lizzie and Fitz's $16,000). They look at the Filing Thresholds for Most People chart and see that their household income ($17,100) is less than their filing threshold ($20,700). Because Lizzie and Fitz are claiming the earned income credit, they are going to file a tax return to claim the credit, even though they are below the filing threshold. Lizzie and Fitz complete Form 8965, checking the box on line 7 and leaving Part III blank.

Example 2. The facts are the same as in Example 1 except that Charlie does not file his own tax return. Instead Lizzie and Fitz elect to report Charlie's taxable interest on Form 8814. Because Charlie's only income was $1,100 of taxable interest, line 1a on Form 8814 is $1,100, line 1b is zero, line 4 is $1,100, and line 5 is $2,100. Because the amount on line 4 is less than the amount on line 5, they add it to the amount on line 1b for a total of $1,100 (zero on line 1b + $1,100 on line 4). They add the $1,100 from Form 8814 to their MAGI of $16,000 for household income of $17,100. Their household income is less than their filing threshold, so Lizzie and Fitz complete Form 8965, checking the box on line 7 and leaving Part III blank.

Example 3. The facts are the same as Example 1 except that Lizzie and Fitz are not claiming the earned income credit. They do not need to file a tax return. They and everyone in their tax household are exempt from the requirement to have minimum essential coverage or make a shared responsibility payment and need to do nothing further to claim the coverage exemption.

Gross Income

To claim this coverage exemption based on your gross income, you must first figure your gross income. Then compare your gross income to the filing threshold that applies to you based on your filing status. See Filing Thresholds for Most People. If your gross income is less than your filing threshold, check the box on line 7.

If you qualify for this coverage exemption, everyone in your tax household is exempt for the entire year. You don't need to complete Part III.

Example 1. Emma and George are both under age 65. They are married and have one child, whom they claim as a dependent on their tax return. Emma and George file Form 1040 as married filing jointly, report $20,000 of wages, $3,000 of tax-exempt interest, and claim the earned income credit. Emma and George figure their gross income as $20,000 (their wages).

They look at the Filing Thresholds for Most People chart and see that their gross income ($20,000) is less than the filing threshold ($20,700). They can check the box on line 7. They do not need to file a return to report this coverage exemption, but because they qualify for the earned income credit they file a return to claim the credit. Because they are filing a return, Emma and George complete Form 8965, checking the box on line 7 and leaving Part III blank.

Example 2. The facts are the same as Example 1 except that Emma and George are not claiming the earned income credit. They do not need to file a tax return. They and everyone in their tax household are exempt from the requirement to have minimum essential coverage or make a shared responsibility payment and need to do nothing further to claim the coverage exemption.

Part III—Coverage Exemptions Claimed on Your Return for Individuals

Use Part III to claim a coverage exemption on your tax return for yourself or another member of your tax household. Complete a line for each individual for whom you are claiming a coverage exemption. If you are claiming more than one coverage exemption for any individual, you must generally complete a separate line for each coverage exemption. But if, for any individual, you are claiming two or more different types of coverage exemptions that have the same code listed in the Types of Coverage Exemptions chart, use a single line to claim those coverage exemptions. If you need more than six lines, attach an additional page showing the information required in columns (a) through (p), as applicable, for each additional coverage exemption.

TIP *Coverage exemptions that may be granted for less than a full tax year apply to each month in which an individual was eligible for the coverage exemption for at least one day in that month. For example, if following the disposition of charges, an individual is incarcerated from June 28 to July 28, the individual is eligible for the coverage exemption for June and July.*

Lines 8–13

Column (a)—Name of Individual

Enter the name of each person in your tax household for whom you are claiming a coverage exemption on that line. If the individual is listed on page 1 of your tax return, enter the name exactly as it appears on your tax return.

Column (b)—Social Security Number (SSN)

Enter the SSN of the individual listed in column (a). If the individual is listed on page 1 of your tax return, the SSN in this column should match the individual's SSN listed on your tax return. If the individual listed in column (a) doesn't have an SSN, see *No SSN*, earlier.

Column (c)—Exemption Type

Use column (c) to identify the type of coverage exemption you are claiming for yourself or another member of your tax household. Enter the code for the appropriate coverage exemption listed below and in the Types of Coverage Exemptions chart.

Coverage considered unaffordable (code "A"). You can claim a coverage exemption for yourself or another member of your tax household for any month in which:

- The individual is eligible for coverage under an employer plan and that coverage is considered unaffordable, or

DRAFT AS OF September 22, 2016

- The individual is not eligible for coverage under an employer plan and the coverage available for that individual through the Marketplace is considered unaffordable.

Coverage is considered unaffordable if the individual's required contribution (described later) is more than 8.13% of household income.

Use the Affordability Worksheet, later, to determine whether this coverage exemption applies to you or another member of your tax household for one or months of the year.

To claim this coverage exemption, enter code "A" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

Required contribution. Your required contribution depends on the type of coverage you are eligible to purchase. If you or another member of your tax household is eligible for coverage under an employer plan, see *Determining an individual's required contribution—Individuals eligible for coverage under an employer plan*, later. If you or another member of your tax household isn't eligible for coverage under an employer plan, see *Determining an individual's required contribution—Individuals not eligible for coverage under an employer plan*, later.

Eligibility for employer-sponsored coverage. An individual is treated as eligible for coverage under an employer plan for a month if the individual could have been covered by that plan for any day that month, even if the individual is also eligible for another type of minimum essential coverage. Individuals eligible for coverage under an employer plan for a month don't need to determine whether other coverage is considered affordable for that month.

Household income adjustment. For purposes of determining whether this coverage exemption applies, increase household income by any amount that your wages or the wages of any other member of your tax household whose MAGI was included in your household income were reduced to pay all or a portion of the premiums for employer-sponsored coverage (a salary reduction arrangement).

Determining an individual's required contribution—Individuals eligible for coverage under an employer plan.

Employees eligible for self-only coverage from their employers. If you or another member of your tax household is an employee and is eligible for self-only coverage through his or her own employer, the employee's required contribution is the amount he or she would pay for the lowest cost self-only coverage in which he or she can enroll. For this purpose, the amount the employee would pay includes an amount that may be paid through a salary reduction arrangement. Also see *Certain employer arrangements* for information about how the required contribution may be affected by various arrangements offered by an employer.

Other family members eligible for employer coverage. If you or another member of your tax household isn't eligible for coverage through his or her own employer (if any) but is eligible for family coverage under a plan offered by your employer or your spouse's employer if filing jointly (for example, a child who is eligible to enroll in family coverage offered by your employer), the individual's required contribution is the amount the employee would pay for the lowest cost family coverage that would cover everyone in the tax household:

- For whom a personal exemption deduction is claimed on your tax return,
- Who is eligible for the coverage, and
- Who doesn't qualify for another coverage exemption.

For this purpose, the amount the employee would pay includes amounts that may be paid through a salary reduction arrangement. Also see *Certain employer arrangements* for information about how the required contribution may be affected by various arrangements offered by an employer.

Example 1—Unmarried employee with no dependents. Joyce is unmarried and has no dependents. Her household income is $60,000. During 2016, Joyce could purchase self-only coverage through her employer at a total cost to her of $5,000. As a result, Joyce can claim the exemption for unaffordable coverage because her required contribution ($5,000) is more than 8.13% of her household income ($4,878, which is $60,000 multiplied by 0.0813).

Example 2—Married employee with dependents. Susan and Lee are married and file a joint return for 2016. They have two children, Elizabeth and Emilee, whom they claim as dependents on their return. During 2016, Susan could purchase self-only coverage under a plan offered by her employer at a cost to her of $4,000. Alternatively, Susan could purchase family coverage under the plan, which would cover her, Lee, Elizabeth, and Emilee, at a cost to her of $12,000. Lee could not purchase health insurance through his employer. Their household income for 2016 is $90,000.

Susan is ineligible for the exemption for unaffordable coverage for 2016 because her required contribution ($4,000) is not more than 8.13% of her household income ($7,317, which is $90,000 multiplied by 0.0813). If Susan does not qualify for another coverage exemption, she would make a shared responsibility payment for the months during which she did not have coverage.

The required contribution for Lee, Elizabeth, and Emilee is Susan's share of the cost for family coverage ($12,000), which is more than 8.13% of their household income ($7,317). As a result, Lee, Elizabeth, and Emilee are eligible for the exemption for unaffordable coverage for 2016. Susan and Lee do not need to make a shared responsibility payment on behalf of Lee, Elizabeth, and Emilee for any months during which the three of them did not have coverage.

Employer-sponsored coverage for part of the year. If you or another member of your tax household becomes unemployed or changes employers during the year, test the affordability of coverage for that individual separately for each employment period. Similarly, if the required contribution for any employer plan changes during the year (such as when one plan year ends and another one starts during the year), test the affordability of the coverage separately for each period.

Coverage under an employer plan is considered unaffordable for a part-year period if the annualized required contribution for self-only coverage (in the case of an employee) or family coverage (in the case of a related individual) under the plan for the part-year period is more than 8.13% of your household income.

DRAFT AS OF September 22, 2016

You can use the Annualized Required Contribution Worksheet to figure the annualized required contribution.

Annualized Required Contribution Worksheet*

Complete a separate worksheet for each part-year period.

1. Enter the required contribution for 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 required contribution _____

*The required contribution for employer-sponsored coverage may be affected by various arrangements offered by your employer and may affect the required contribution amount you enter into the Annualized Required Contribution Worksheet. For more information, see *Certain employer arrangements*.

DRAFT AS OF September 22, 2016

Certain employer arrangements. An employee's required contribution for employer-sponsored coverage may be affected by various arrangements offered by the employer.

- **Wellness incentives.** If the employer that offered you (or your spouse) employer-sponsored coverage for 2016 also offered a wellness incentive that potentially affected the amount that you had to pay towards coverage, the following rules apply: if the condition for satisfying the wellness incentive (in other words, the condition the employee must meet to pay the smaller amount for coverage) relates exclusively to tobacco use, your required contribution is based on the amount you would have paid for coverage if you had satisfied the condition for the wellness incentive. Wellness incentives relating exclusively to tobacco use are treated as satisfied in determining your required contribution regardless of whether you would have actually earned the incentive had you enrolled in the coverage. If factors other than tobacco use are part of the condition for satisfying the wellness incentive, your required contribution is based on the amount you would have paid for coverage had you not satisfied the wellness incentive.
- **Health reimbursement arrangements (HRAs).** If the employer that offered you employer-sponsored coverage for 2016 also contributed (or offered to contribute) to an HRA that may be used to pay premiums for the employer-sponsored coverage, your required contribution for the employer-sponsored coverage is reduced by the amount the employer contributed (or offered to contribute) to the HRA for 2016, as long as you were informed of the HRA contribution offer by a reasonable time before you had to decide whether to enroll in the coverage.
- **Health flex contributions.** If the employer that offered you (or your spouse) employer-sponsored coverage for 2016 also made (or offered to make) a health flex contribution for 2016, your required contribution for the employer-sponsored coverage is reduced by the amount of the health flex contribution (or offer). A health flex contribution is an employer contribution to a cafeteria plan that may be used only to pay for medical care (and not taken as cash or other taxable benefits), and is available for use toward the purchase of minimum essential coverage. Cafeteria plan contributions that may be used for expenses other than medical care are not health flex contributions and so do not reduce your required contribution.
- **Opt-out payments.** If the employer that offered you (or your spouse) employer-sponsored coverage for 2016 offered you an additional payment if you declined to enroll in the coverage (an "opt-out payment"), your required contribution for employer-sponsored coverage is increased by amounts that the employer offered to pay you for declining the coverage. In some cases, an employer may make this opt-out payment only if the employee both declines the coverage and also satisfies another condition (such as enrolling in coverage offered by the employee's spouse). If your employer imposed other conditions on receiving the opt-out payment (in addition to declining the employer's health coverage), you may treat the opt-out payment as increasing the employee's required contribution only if you can demonstrate that you met the conditions (such as enrolling in coverage offered by your spouse's employer).

For more information on the effect that these arrangements have on an employee's or related individual's required contribution for employer-sponsored coverage, see Notice 2015-87 and Regulations section 1.5000A-3.

Determining an individual's required contribution—Individuals not eligible for coverage under an employer plan. If you or another member of your tax household can't purchase coverage under an employer plan, the individual's required contribution is based on the premium for the lowest cost bronze plan available through the Marketplace minus the maximum premium tax credit that you could have claimed if the individuals had enrolled in this plan.

For this purpose, use the lowest cost bronze plan available through the Marketplace that covers everyone in your tax household:

- For whom a personal exemption deduction is claimed on your tax return,
- Who isn't eligible for employer coverage, and
- Who doesn't qualify for another coverage exemption.

For information on the lowest cost bronze plan you could have purchased for your tax household, visit *www.HealthCare.gov/tax-tool* or contact the Marketplace serving your area. Subtract from the premium the maximum premium tax credit that you could have claimed if these individuals had enrolled in that plan. You can claim the exemption for unaffordable coverage for the individual if the result is more than 8.13% of your household income.

If the Marketplace serving the area where the individual resides doesn't offer a single bronze plan that would cover everyone in your tax household who may be eligible for the exemption for unaffordable coverage (for example, because these members of your tax household are split between more than one state), add the premiums for the lowest cost bronze plans that are offered through the Marketplace that would cover these members of your tax household.

Use the Marketplace Coverage Affordability Worksheet to determine whether you or another member of your tax household is eligible for this coverage exemption.

Example—Unmarried individual with no dependents and no offer of employer coverage. Eastin is unmarried and has no dependents. His household income is $40,000. He can't en-

roll in employer coverage for any month in 2016. The annual premium for the lowest cost bronze self-only plan in Eastin's rating area is $5,000 and the maximum premium tax credit that he could claim if he had enrolled in this coverage is $1,700. Eastin can claim the exemption for unaffordable coverage for 2016 because his required contribution is $3,300 ($5,000 minus $1,700), which is more than 8.13% of his household income ($3,252, which is $40,000 multiplied by 0.0813).

Short coverage gap (code "B"). You generally can claim a coverage exemption for yourself or another member of your tax household for each month of a gap in coverage of less than 3 consecutive months. If an individual had more than one short coverage gap during the year, the individual is exempt only for the month(s) in the first gap. If an individual had a gap of 3 months or more, the individual isn't exempt for any of those months. For example, if an individual had coverage for every

DRAFT AS OF September 22, 2016

Affordability Worksheet

Use this worksheet to determine whether coverage for each individual in your tax household is considered unaffordable. If you or another member of your tax household isn't eligible for employer-sponsored coverage, use the Marketplace Coverage Affordability Worksheet to figure the required contribution for that individual. An individual is eligible for the affordability exemption for any month in which (B), the Required Contribution, is more than (A), the Affordability Threshold.

(A) Affordability Threshold

Enter 8.13% of your household income (see *Household income*). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income. _____

(B) Required Contribution Amount

For each member of your tax household, enter in the columns provided the amount the individual must pay for coverage for the first situation below that applies to that person. If the required contribution is the same for the whole year, enter the annual required contribution in the space for each month. If the required contribution covers only part of the year, use the Annualized Required Contribution Worksheet to determine what the annualized required contribution would be for each month. Once you have figured the annualized required contribution, enter it in the space for each month.

Situations (use the first that applies to each member of your tax household, including you, for each month):

1. The lowest cost self-only policy offered to each member of your tax household by his or her employer.
2. The lowest cost family policy* offered by your employer or your spouse's employer (if you are filing a joint return).
3. The amount from the Marketplace Coverage Affordability Worksheet.

For each individual, coverage is considered unaffordable and the individual is exempt for any month in which (B), the Required Contribution Amount, is more than (A), the Affordability Threshold.

Members of your tax household (enter one name per column):						
Annualized required contribution for:						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

*The policy must cover everyone in your tax household:

- For whom a personal exemption deduction is claimed on your tax return,
- Who isn't eligible for employer coverage, and
- Who doesn't qualify for another coverage exemption.

Marketplace Coverage Affordability Worksheet

Use this worksheet to figure an individual's required contribution for any month in which the individual isn't eligible for employer-sponsored coverage. Complete a separate worksheet for each part of the year in which either the individual resided in different geographic rating areas served by the Marketplace or for which the number of people in your tax household who are neither exempt nor eligible for minimum essential coverage (other than coverage in the individual market) was different.

Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan, go to *www.HealthCare.gov/tax-tool* or the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2 through 11 . . . . . _____
2. Enter your household income (see *Household income*) . . . . . _____
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return* . . . . . _____
4. Add lines 2 and 3 . . . . . _____
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4 . . . . . _____
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11 . . . . . _____
7. Multiply line 6 by 100 and round down to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7 . . . . . _____
8. Multiply line 4 by line 7 . . . . . _____
9. Divide line 8 by 12.0 . . . . . _____
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for minimum essential coverage (other than coverage in the individual market), and who doesn't qualify for another coverage exemption for the month. To find the second lowest cost silver plan, go to *www.HealthCare.gov/tax-tool* or the Marketplace for your area . . . . . _____
11. Subtract line 9 from line 10. If zero or less, enter -0- . . . . . _____
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month . . . . . _____
13. Is the individual eligible for this coverage for every month of the year?
    - ☐ **Yes.** Multiply line 12 by 12.0. This is the annualized required contribution. Enter this amount in the space for every month on the Affordability Worksheet . . . . . _____
    - ☐ **No.** Multiply line 12 by 12.0. This is the annualized required contribution. Enter this amount in the space on the Affordability Worksheet for each month the individual was eligible for the coverage being tested . . . . . _____

*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

month in the year except February and March, the individual is exempt for those 2 months. However, if an individual had coverage for every month in the year except February, March, and April, the individual isn't exempt for any of those months.

Example—Multiple gaps in coverage. Colton had coverage for every month except February, March, October, and November. Colton is eligible for the short coverage gap exemption only for February and March.

Example—Gaps in coverage for partial months. Fred has minimum essential coverage except for the period April 5 through July 25. An individual is treated as having coverage for any month in which he or she has coverage for at least 1 day of the month. As a result, Fred has minimum essential coverage in April and July and is eligible for the short coverage gap exemption for May and June.

Continuous coverage gap straddles more than one taxable year. If you do not have minimum essential coverage for a continuous period that begins in one taxable year and ends in the next, for purposes of applying the short coverage gap rules to the first taxable year, the months in the second taxable year included in the continuous period are not counted. For purposes of applying the short coverage gap rules to the second year, the months in the first taxable year are counted.

Example—Continuous coverage gap straddles more than one taxable year. Fran, an unmarried taxpayer with no dependents, has minimum essential coverage from January 1 through October 31, 2016. Fran is without coverage until Febru-

ary 1, 2017. On her tax return for 2016, November and December of 2016 are treated as a short coverage gap. On her 2017 tax return, November and December of 2016 are included in the continuous period that includes January 2017. The continuous period for 2017 is not less than 3 months, and therefore January is not part of a short coverage gap.

To claim this coverage exemption, enter code "B" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

DRAFT AS OF September 22, 2016

Citizens living abroad and certain noncitizens (code "C"). You can claim a coverage exemption for yourself or another member of your tax household to which any of the following apply.

- The individual is a U.S. citizen or a resident alien who is physically present in a foreign country (or countries) for at least 330 full days during any period of 12 consecutive months. You can claim the coverage exemption for any month during your tax year that is included in the 12-month period. For more information, see *Physical Presence Test* in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.
- The individual is a U.S. citizen who is a bona fide resident of a foreign country (or countries) for an uninterrupted period which includes the entire tax year. You can claim the coverage exemption for the entire year. For more information, see *Bona Fide Residence Test* in Pub. 54.
- The individual is a resident alien who is a citizen or national of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause and who is a bona fide resident of a foreign country for an uninterrupted period that includes the entire tax year. You can claim the coverage exemption for the entire year. For more information, see *Bona Fide Residence Test* in Pub. 54.
- The individual is a bona fide resident of a U.S. territory. You can claim the coverage exemption for the entire year.
- The individual is not lawfully present in the U.S. and is not a U.S citizen or U.S. national. For this purpose, an immigrant with Deferred Action for Childhood Arrivals (DACA) status is not considered lawfully present and therefore qualifies for this exemption. For more information about who is treated as lawfully present for purposes of this coverage exemption, visit *www.HealthCare.gov*.
- The individual is a nonresident alien, including (1) a dual-status alien in the first year of U.S. residency and (2) a nonresident alien or dual-status alien who elects to file a joint return with a U.S. spouse. You can claim the coverage exemption for the entire year. This exemption doesn't apply if you are a nonresident alien for 2016, but met certain presence requirements and elected to be treated as a U.S. resident. For more information, see Pub. 519.

If you meet one of these conditions, you qualify for this exemption even if you have a social security number (SSN). To claim this coverage exemption, enter code "C" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

Members of a health care sharing ministry (code "D"). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was a member of a health care sharing ministry for at least 1 day in the month. Enter code "D" in Part III, column (c), and identify the months to which the coverage exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

In general, a health care sharing ministry is a tax-exempt organization whose members share a common set of ethical or religious beliefs and share medical expenses in accordance with those beliefs, even after a member develops a medical condition. For you to qualify for this exemption, the health care sharing ministry (or a predecessor) must have been in existence and sharing medical expenses continuously and without interruption since December 31, 1999. An individual who is unsure whether a ministry meets the requirements should contact the ministry for further information.

TIP *If you or another member of your tax household was a member of a health care sharing ministry and was granted a coverage exemption by the Marketplace, see the instructions for Part I, earlier, to claim the exemption.*

Members of Indian tribes or individuals otherwise eligible for services from an Indian health care provider (code "E"). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), for at least 1 day in the month. The *list of Federally-recognized Indian tribes* is available at *www.bia.gov/WhoWeAre/BIA/OIS/TribalGovernmentServices/TribalDirectory*. The list of village or regional corporations formed under ANCSA is available at *dnr.alaska.gov/mlw/trails/17b/corpindex.cfm*. You can also claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was eligible for services through an Indian health care provider or through the Indian Health Service.

To claim either of these coverage exemptions, enter code "E" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

TIP *If you or another member of your tax household was a member of a Federally-recognized Indian tribe or otherwise eligible for services from an Indian health care provider, and was granted a lifetime coverage exemption by the Marketplace in 2014 or 2015, see the instructions for Part I, earlier, to claim the exemption.*

Incarceration (code "F"). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was incarcerated for at least 1 day in the month. For this purpose, an individual is considered incarcerated if he or she was confined, after the disposition of charges, in a jail, prison, or similar penal institution or correctional facility. To claim this coverage exemption, enter code "F" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

TIP *If you or another member of your tax household was incarcerated and was granted a coverage exemption by the Marketplace, see the instructions for Part I, earlier, to claim the exemption.*

Aggregate self-only coverage considered unaffordable (code "G"). You and any other members of your tax household for whom you claim a personal exemption can claim a coverage exemption for all months in 2016 if, for at least 1 month in 2016, all of the following apply:

1. The cost of self-only coverage through employers for two or more members of your tax household doesn't exceed 8.13% of household income when tested individually,

2. The cost of family coverage that the members of your tax household described in condition 1 could enroll in through an employer exceeds 8.13% of household income, and

3. The combined cost of the self-only coverage identified in condition 1 exceeds 8.13% of household income.

Example 1—Two offers of self-only coverage that together are unaffordable. Justin and Sally are married, have no dependents, and file a joint return. Justin is offered self-only coverage through his employer at a cost of 6% of the household income and is offered family coverage that would cover both Sally and him at a cost of 10% of the household income. Sally is offered self-only coverage through her employer at a cost of 5% of the household income and isn't offered family coverage. Sally and Justin both may claim the coverage exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable because the self-only coverage offered to Justin and Sally doesn't exceed 8.13% of the household income when tested individually, the cost of family coverage exceeds 8.13% of the household income, and the combined cost of the self-only coverage offered to Justin and Sally exceeds 8.13% of the household income.

Example 2—Affordable family coverage. The facts are the same as in Example 1 except Justin's employer offers family coverage that would cover both Sally and him at a cost of 7% of the household income. Neither Justin nor Sally may claim the coverage exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable, because the family coverage offered by Justin's employer covers both Justin and Sally and its cost doesn't exceed 8.13% of the household income.

Example 3—One spouse enrolls in coverage. The facts are the same as in Example 1 except Justin enrolls in the self-only coverage offered by his employer. Sally may claim the coverage exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable.

To claim this coverage exemption, enter code "G" in Part III, column (c), and check the box in column (d).

Resident of a state that did not expand Medicaid (code "G"). You can claim a coverage exemption for yourself or another member of your tax household for 2016 if:

- Your household income is less than 138% of the federal poverty line for the number of individuals in your tax household, not including any dependents you didn't claim; and
- At any time in 2016 the individual resided in Alabama, Alaska, Florida, Georgia, Idaho, Indiana, Kansas, Louisiana, Maine, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Wisconsin, or Wyoming.

For purposes of this exemption, your household income is increased by the amount of any nontaxable social security benefits received by you, your spouse (if filing jointly), or a dependent you claimed that must file his or her own tax return. To see if your household income is less than 138% of the federal poverty line for the number of individuals in your tax household, not including any dependents you didn't claim, see the instructions for Form 8962, line 4.

To claim this coverage exemption, enter code "G" in Part III, column (c), and check the box in column (d).

TIP *If the Marketplace granted you a similar coverage exemption for individuals who resided in a state that didn't expand Medicaid, see the instructions for Part I, earlier, to report the exemption.*

Eligible for Health Coverage Tax Credit (code "G"). You can claim a coverage exemption for yourself or another member of your tax household for each month between July and December that you or your spouse were eligible to claim the health coverage tax credit (HCTC) in that month for such individual. (For this purpose, you are considered eligible to claim the HCTC if you would be eligible had the individual been enrolled in HCTC-qualifying coverage.) In general, you are eligible for the HCTC for a month, for coverage of yourself, your spouse, and dependents, if you were receiving trade adjustment assistance (including alternative trade adjustment assistance and reemployment adjustment assistance), or were age 55 to 65 and receiving payments from the Pension Benefit Guaranty Corporation. An individual is not eligible for the HCTC if he or she has certain other specified health coverage, including Medicare. The HCTC is a separate tax credit with different eligibility rules than the premium tax credit. For more information about eligibility for the HCTC, see Form 8885, Health Coverage Tax Credit, and its instructions.

To claim this coverage exemption, enter code "G" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

TIP *In general, HCTC eligibility ends the month after the month in which trade adjustment assistance ends. For example, if an individual is receiving trade adjustment assistance for July 2016 through October 2016, and otherwise meets the HCTC eligibility requirements, the individual and any qualifying family members are treated as eligible for the HCTC for July 2016 through November 2016.*

Member of tax household born or adopted during the year (code "H"). Your tax household for a month only includes individuals who were alive for the entire month. In general, if an individual was added to your tax household by birth or adoption, you do not need to file Form 8965 solely to report that fact. For example, if all members of your tax household have minimum essential coverage for every month they are part of your tax household, check the Full-year coverage box on your tax return. You do not need to file Form 8965. Also, if you owe a shared responsibility payment for one or more months and don't qualify for a coverage exemption (other than code "H") for any month, you should not file Form 8965.

DRAFT AS OF September 22, 2016

However, if you had or adopted a child during 2016 and you are claiming a coverage exemption (other than code "H") for one or more months on Form 8965, you can claim a coverage exemption for that child for the months before (and including) the month when the child was born or adopted. To claim this coverage exemption, enter code "H" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

Example 1—Adoption during year, all individuals have minimum essential coverage. Joan is unmarried and has one dependent, Kelly. Joan legally adopted Kelly effective April 10, 2016. Joan has minimum essential coverage all year. Kelly has minimum essential coverage from May through December. Kelly is a member of Joan's tax household from May through December. Joan should check the Full-year coverage box on her tax return, regardless of whether Kelly had minimum essential coverage in January through April. Joan should not file a Form 8965.

Example 2—Adoption during year, no minimum essential coverage in other months. The facts are the same as Example 1, except that Kelly does not have minimum essential coverage in any month of the year and does not qualify for a coverage exemption (other than code "H") for any month of the year. Joan should compute the shared responsibility payment for Kelly for the months May through December 2016 and report it on her tax return. Joan should not file a Form 8965.

Example 3—Adoption during year, other coverage exemptions claimed. The facts are the same as Example 2, except Kelly qualifies for the exemption for coverage considered unaffordable for October through December of 2016. Joan should compute the shared responsibility payment for Kelly for the months May through September 2016 and report it on her tax return. Joan should also file Form 8965 and claim code "H" for Kelly for January through April and code "A" for Kelly for October through December.

Member of tax household died during the year (code "H"). Your tax household for a month only includes individuals who were alive for the entire month. In general, if a member of your tax household died during the year you do not need to file Form 8965 solely to report that fact. For example, if all members of your tax household have minimum essential coverage for every month they are part of your tax household, check the Full-year coverage box on your tax return. You do not need to file Form 8965. Also, if you owe a shared responsibility payment for one or more months and don't qualify for a coverage exemption (other than code "H") for any month, you should not file Form 8965.

However, if a member of your tax household died during 2016 and you are claiming a coverage exemption (other than code "H") for one or more months on Form 8965, you can claim a coverage exemption for the months following (and including) the month of his or her death. To claim this coverage exemption, enter code "H" in Part III, column (c), and identify the months to which the exemption applies as described under *Columns (d) - (p)—Calendar Months*, later.

Example—Death during year, coverage exemptions claimed. George is unmarried and has one dependent, Harriet. Neither George nor Harriet has minimum essential coverage in any month. George is a member of a health care sharing ministry for all of 2016. Harriet dies on October 1, 2016. George should compute a shared responsibility payment for Harriet for January through September and report it on his tax return. George should also file Form 8965, claiming code "D" for himself for every month. George should also claim code "H" for Harriet for October through December.

Columns (d) – (p)—Calendar Months

For each coverage exemption claimed in row 8 through 13, check the appropriate box or boxes for the months for which the particular exemption applies. If the coverage exemption applies for the full year, check the box in column (d) and don't check the boxes in columns (e) – (p).

DRAFT AS OF September 22, 2016

Shared Responsibility Payment

Use the following flowchart to see if you need to make a shared responsibility payment, and if so, the amount.

- Follow Steps 1 through 5 next.
- Complete Worksheet A and Worksheet B if you are directed to them as you complete Steps 1 through 5.
- Complete the Shared Responsibility Payment Worksheet as directed by Steps 1 through 5 or Worksheets A and B.

DRAFT AS OF September 22, 2016

Step 1 All Filers

1. Can someone claim you as a dependent?

   ☐ **Yes.** STOP You do not owe a shared responsibility payment. Do not check the box on line 6a of Form 1040 or Form 1040A. If you file Form 1040EZ, check the box on line 5.

   ☐ **No.** Continue

2. Did you, and everyone else in your tax household (see *Tax household* under *Definitions*, earlier) have qualifying health coverage for every month of 2016*?

   ☐ **Yes.** STOP You do not owe a shared responsibility payment. Check the Full-year coverage box on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11.

   ☐ **No.** Continue

*You can check the Full-year coverage box if you had or adopted a child during the year, or a member of your tax household died during the year, as long as that person had qualifying health care coverage for every month he or she was a member of your tax household.

3. Did you or anyone else in your tax household have qualifying health coverage or qualify for a coverage exemption for any month in 2016?

   ☐ **Yes.** STOP Claim any coverage exemption you qualify for on Form 8965. Skip questions 4 and 5; go to Worksheet A.

   ☐ **No.** Continue

4. Did you, or anyone else in your tax household turn 18 during 2016?

   ☐ **Yes.** Go to Worksheet A.

   ☐ **No.** Go to Step 2.

Step 2 Flat Dollar Amount

1. Multiply $695 by the number of people in your tax household who were at least 18 years old.*

   1 _____

*For purposes of figuring the shared responsibility payment, an individual is considered under age 18 for an entire month if he or she didn't turn 18 before the first day of the month. An individual turns 18 on the anniversary of the day the individual was born.

2. Multiply $347.50 by the number of people in your tax household who were under age 18.

   2 _____

3. Add lines 1 and 2.

   3 _____

4. Enter the smaller of line 3 or $2,085 here and on line 1 of the Shared Responsibility Payment Worksheet. Go to Step 3.

   4 _____

Step 3 Household Income

1. Enter the amount from Form 1040, line 38; Form 1040A, line 21; or Form 1040EZ, line 4.

   1 _____

2. Did you receive any tax-exempt interest?

   ☐ **Yes.** Enter the amount from Form 1040, line 8b; Form 1040A, line 8b; or the amount entered in the space to the left of Form 1040EZ, line 2.

   ☐ **No.** Continue

   2 _____

3. Did you attach Form 2555 or Form 2555-EZ?

☐ **Yes.** Enter the amount from Form 2555, lines 45 and 50; or Form 2555-EZ, line 18.

☐ **No.** Continue

3 _____

4. Did you claim any dependents?

☐ **Yes.** Continue

☐ **No.** STOP

Add lines 1 through 3. **This is your household income.** Enter the result on Step 4, line 1.

5. Were any of the dependents you claimed required to file a return?

☐ **Yes.** Complete questions 1 through 3 for each dependent with a filing requirement for whom you **did not** attach Form 8814. Enter the total here.

☐ **No.** Add lines 1 through 3. **This is your household income.** Enter the result on Step 4, line 1.

5 _____

6. Did you attach Form 8814?

☐ **Yes.** Continue

☐ **No.** STOP

Add lines 1, 2, 3, and 5. **This is your household income.** Enter the result on Step 4, line 1.

7. Is Form 8814, line 4 more than $1,050?

☐ **Yes.** Add the amount from Form 8814, line 1b and the smaller of Form 8814, line 4 or 5.

☐ **No.** Enter -0- below.

Continue

7 _____

8. Add lines 1, 2, 3, 5, and 7. **This is your household income.** Enter the result on Step 4, line 1.

8 _____

Step 4 Percentage Income Amount

1. Enter your household income from Step 3.

1 _____

2. Were you or your spouse (if filing jointly) born before January 2, 1952?

☐ **Yes.** Skip question 3. Find your filing threshold on the **Filing Thresholds for Most People** chart and enter it both here and on line 4.

☐ **No.** Go to question 3.

2 _____

3. Enter the amount listed below for your filing status.
   - Single—$10,350
   - Head of household—$13,350
   - Married filing jointly—$20,700
   - Married filing separately—$4,050
   - Qualifying widow(er) with dependent child—$16,650

3 _____

4. Enter the amount from line 2 or 3.

4 _____

5. Subtract line 4 from line 1.

5 _____

6. Is the amount on line 5 zero or less?

☐ **Yes.** STOP

You do not owe a shared responsibility payment. Complete Form 8965 by checking the box on line 7.

☐ **No.** Continue

7. Multiply line 5 by 2.5% (0.025). This is your percentage income amount.

7 _____

DRAFT AS OF September 22, 2016

8. Were you required to complete Worksheet A?

☐ **Yes.** Go to Worksheet B. Then continue to step 5.

☐ **No.** Enter the amount from line 7 above on line 2 of the Shared Responsibility Payment Worksheet and complete line 3 of that worksheet. Then continue to step 5.

Step 5 National Average Bronze Plan Premium

1. Were you required to complete Worksheet A?

☐ **Yes.** Continue

☐ **No.** Skip question 2; Go to question 3.

2. Multiply $223* by the number on Worksheet A, line 8. Enter the result here and on line 4 of the Shared Responsibility Payment Worksheet. Skip question 3 and complete line 5 of the Shared Responsibility Payment Worksheet.

2 _____

*$223 is the 2016 national average premium for a bronze level health plan available through the Marketplace for one individual for one month.

3. Enter on line 4 of the Shared Responsibility Payment Worksheet, the amount below that corresponds to the total number of number of people in your tax household. Then complete line 5 of the Shared Responsibility Payment Worksheet.

- 1 person—$2,676
- 2 people—$5,352
- 3 people—$8,028
- 4 people—$10,704
- 5 or more people—$13,380

DRAFT AS OF September 22, 2016

Shared Responsibility Payment Worksheet

Use this worksheet if you are referred here from the Shared Responsibility Payment flowchart or from Worksheet A or B. If everyone in your tax household had either minimum essential coverage or a coverage exemption for every month during 2016, stop here. You do not owe a shared responsibility payment.

Complete Step 1		
1. Enter the flat dollar amount. (From Step 2, question 4 or Worksheet A, line 7)	**1**	
Complete Step 3		
2. Enter the percentage income amount. (From Step 4, question 7 or Worksheet B, line 14)	**2**	
3. Enter the larger of line 1 or line 2	**3**	
Complete Step 5		
4. Enter the National Average Bronze Plan Premium. (From Step 5, question 2 or 3)	**4**	
5. Enter the smaller of line 3 or line 4 here and on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11. **This is your shared responsibility payment**	**5**	

Worksheet A

Use this worksheet if you were referred here from Step 1 under *Shared Responsibility Payment*. After completing the worksheet, **go to Step 3** under *Shared Responsibility Payment*. If everyone in your tax household had either minimum essential coverage or a coverage exemption for every month during 2016, stop here. You do not owe a shared responsibility payment.

Complete the monthly columns by placing "Xs" in each month in which you or another member of your tax household had neither minimum essential coverage nor a coverage exemption.

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Add the total number of Xs in a month. If 5 or more, enter 5												
2. Add the total number of Xs in a month for individuals 18 or over*												
3. Enter one-half the number of Xs in a month for individuals under 18*												
4. Add lines 2 and 3 for each month												
5. Multiply line 4 by $695 for each month. If $2,085 or more, enter $2,085												

6. Add the amounts for each month on line 5 . . . . . _____

7. Divide line 6 by 12.0. This is your flat dollar amount. **Enter this amount on line 1 of the Shared Responsibility Payment Worksheet** . . . . . _____

8. Add the total number of Xs entered for each month on line 1. **Go to Step 3** . . . . . _____

*For purposes of figuring the shared responsibility payment, an individual is considered under 18 for an entire month if he or she didn't turn 18 before the first day of the month. An individual turns 18 on the anniversary of the day the individual was born. For example, someone born on March 1, 2001, is considered age 18 on March 1, 2019, and, therefore, isn't considered age 18 for purposes of the shared responsibility payment until April 2019.

DRAFT AS OF September 22, 2016

Worksheet B

CAUTION

Do not complete this worksheet unless you were directed here in Step 4 under *Shared Responsibility Payment*.

For each month, you must determine if the amount on line 5 of Worksheet A is less than the amount on line 7 of Step 4 under *Shared Responsibility Payment* *	(a) Enter the amount from line 5 of Worksheet A	(b) Enter the amount from Step 4, line 7	(c) Enter the larger of column (a) or column (b)
1. January			
2. February			
3. March			
4. April			
5. May			
6. June			
7. July			
8. August			
9. September			
10. October			
11. November			
12. December			
13. Add the amounts in column (c)			
14. Divide line 13 by 12.0. **Enter the result on lines 2 and 3 of the Shared Responsibility Payment Worksheet. Go to Step 5**			

*If the amount on line 1 of Worksheet A is -0- for any month, leave all columns of this worksheet blank for that month.

DRAFT AS OF
22, 2016

Filing Thresholds for Most People

IF your filing status is...	AND at the end of 2016 you were*...	THEN you must file a tax return if your gross income** was at least...
Single	Under 65	$10,350
	65 or older	$11,900
Head of household	Under 65	$13,350
	65 or older	$14,900
Married filing jointly***	Under 65 (both spouses)	$20,700
	65 or older (one spouse)	$21,950
	65 or older (both spouses)	$23,200
Married filing separately	Any age	$4,050
Qualifying widow(er) with dependent child	Under 65	$16,650
	65 or older	$17,900

*If you were born on January 1, 1952, you are considered to be age 65 at the end of 2016. (If your spouse died in 2016 or if you are preparing a return for someone who died in 2016, see Pub. 501.)

**Gross income means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States. It also includes gain from the sale of your main home, even if you can exclude part or all of it. Include only the taxable part of social security benefits (Form 1040, line 20b; Form 1040A, line 14b). Also include gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, don't reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

***If you did not live with your spouse at the end of 2016 (or on the date your spouse died) and your gross income was at least $4,050, you must file a return regardless of your age.

How To Avoid Common Mistakes

Mistakes in completing Form 8965 or figuring your shared responsibility payment can cause you to pay too much tax, delay the processing of your return or refund, or cause you to receive notices or other correspondence from the IRS. Review the list below to avoid making common mistakes on your return.

Mistakes in completing Form 8965

Part II. You can claim a coverage exemption for yourself and everyone in your tax household if your gross income or household income are below the filing threshold. If you claim a coverage exemption in Part II:

- Make sure you checked the box on line 7.
- If you are not claiming another coverage exemption, make sure you left Part I and III blank.

Part III. You can claim a coverage exemption on your tax return for yourself or another member of your family. If you are claiming a coverage exemption in Part III:

- Make sure you entered one of the codes listed in the Types of Coverage Exemptions chart in column (c). Use only the codes listed in the Types of Coverage Exemptions chart. Do not leave column (c) blank.
- If you have a coverage exemption that covers the entire year, make sure you check the "Full Year" box in column (d). Do not check any months in columns (e) through (p) for that exemption.

Mistakes in figuring your Shared Responsibility Payment

Before making a shared responsibility payment:

- Make sure you can't check the Full-year coverage box on your tax return. See the instructions for Form 1040, line 61; Form 1040, line 38; or Form 1040EZ, line 11.
- Make sure you can't be claimed as a dependent on another person's tax return. See *Exemptions for Dependents* in Pub. 501 or *Line 6c—Dependents* in the instructions for Form 1040 or 1040A. You do not owe a shared responsibility payment if you can be claimed as a dependent by another taxpayer.
- Review the Types of Coverage Exemptions chart to see if you haven't overlooked a coverage exemption that may apply to you or someone else in your tax household.
- Make sure that your gross income and household income are more than the filing threshold that applies to you. See Step 3 under *Shared Responsibility Payment*, earlier. You do not owe a shared responsibility payment if your gross income or household income are below the filing threshold.
- Make sure that the amount on line 1 of the Shared Responsibility Payment Worksheet (the flat dollar amount) is not more than $2,085. See Step 2 under *Shared Responsibility Payment*, earlier, for instructions on how to figure the flat dollar amount.
- Make sure that your shared responsibility payment is not more than line 4 of the Shared Responsibility Payment Worksheet (the National Average Bronze Plan Premium). See Step 5 under *Shared Responsibility Payment*, earlier, for instructions on how to figure the National Average Bronze Plan Premium that applies to you.

DRAFT AS OF September 22, 2016