



Instructions for Form 8885

Health Coverage Tax Credit

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8885 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8885.

General Instructions

What's New

Advance payments of the Health Coverage Tax Credit (HCTC). A program is available under which the IRS makes monthly advance payments of the HCTC directly to health plan administrators. An interim process began in July 2016 with a limited number of plan administrators. The IRS anticipates that more plan administrators will participate in 2017. For more information on the advance monthly payment program and the HCTC, go to www.irs.gov/HCTC.

Form 1099-H. If you benefited from the advance monthly payment program in 2016, your health plan administrator will send you a Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments, that reports the monthly payments that were forwarded directly to your health plan administrator. Include the reported coverage months (that is, those months for which you benefited from the advance monthly payment program) when you complete Form 8885, line 1, to elect to receive the benefit of the HCTC and confirm your monthly eligibility for the HCTC. But, do not report any payments for those coverage months on Form 8885, line 2. See the instructions for [Line 2](#), later, for more information. An election is needed to receive the benefit of the HCTC for all eligible coverage months even if you're not claiming any additional HCTC on Form 8885.

Election to take the HCTC. You must elect the HCTC for all eligible coverage months even if you're not claiming any additional HCTC on Form 8885 for one or more months. Generally, for 2016, the election must be made within 3 years after the due date of your tax return (including extensions).

Marketplace coverage. For 2016, you can't take the HCTC for coverage under a qualified health plan offered through a Health Insurance Marketplace (also

known as an Exchange). However, you may be able to take the premium tax credit (PTC) for Marketplace coverage on Form 8962, Premium Tax Credit (PTC). See [Participants in a Health Insurance Marketplace](#), later, for special rules if, during 2016, you or your family members were enrolled in a qualified health plan offered through a Marketplace for part of the year and qualified health insurance coverage for the HCTC for another part of the year.

Self-Employed Health Insurance Deduction Worksheet. If you are completing the Self-Employed Health Insurance Deduction Worksheet in your tax return instructions and you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, reemployment TAA (RTAA) recipient, or Pension Benefit Guaranty Corporation (PBGC) payee, you must complete Form 8885 before completing that worksheet. When figuring the amount to enter on line 1 of the worksheet do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance coverage premiums you paid for eligible coverage months for which you received the benefit of the advance monthly payment program, or
- Any advance monthly payments your health plan administrator received from the IRS, as shown on Form 1099-H.

Purpose of Form

Use Form 8885 to elect and figure the amount, if any, of your HCTC.

Who Can Take This Credit

You can elect to take the HCTC only if (a) you were an eligible TAA, ATAA, RTAA recipient, or PBGC payee in 2016; or you were the qualifying family member of an eligible TAA, ATAA, or RTAA recipient or PBGC payee who passed away or finalized a divorce with you (see [Continued Qualification for Family Members after Certain Life Events](#), later), (b) you cannot be claimed as a dependent on someone else's 2016 tax return, and (c) you met all of the other conditions listed on line 1. If you cannot be claimed as a dependent on someone else's 2016 tax return, review Form 8885, Part I, to see if you are eligible to take this credit.

Election to take the HCTC. You must elect the HCTC to receive the benefit of the HCTC. Make your election by

checking the box on line 1 for the first eligible coverage month you are electing to take the HCTC and all boxes on line 1 for each eligible coverage month after the election month. Once you elect to take the HCTC for a month in 2016, the election to take the HCTC applies to all subsequent eligible coverage months in 2016. The election doesn't apply to any month for which you are not eligible to take the HCTC.

Generally, for 2016, the election must be made within 3 years after the due date of your tax return (including extensions).

Example. You were an eligible RTAA recipient between February 2016 and October 2016 and you otherwise met the HCTC requirements during that period. You wish to take the HCTC starting in April 2016. You would check the box on line 1 for April to elect the HCTC for your April coverage. You must then check every box on line 1 through and including October because you're eligible to take the HCTC for those coverage months. Your election applies to your April through October coverage months.



Even if you can't claim the HCTC on your income tax return, you must still file Form 8885 to elect the HCTC for any months you participated in the advance monthly payment program.

Definitions and Special Rules

TAA Recipient

You were an eligible TAA recipient as of the first day of the month if, for any day in that month or the prior month, you:

- Received a trade readjustment allowance, or
- Would have been entitled to receive such an allowance except that you had not exhausted all rights to any unemployment insurance (except additional compensation that is funded by a state and is not reimbursed from any federal funds) to which you were entitled (or would be entitled if you applied).

Example. You received a trade readjustment allowance for January 2016. You were an eligible TAA recipient as of the first day of January and February.

ATAA Recipient

You were an eligible ATAA recipient as of the first day of the month if, for that month or the prior month, you received benefits under an alternative trade adjustment

assistance program for older workers established by the Department of Labor.

Example. You received benefits under an alternative trade adjustment assistance program for older workers for October 2016. The program was established by the Department of Labor. You were an eligible ATAA recipient as of the first day of October and November.

RTAA Recipient

You were an eligible RTAA recipient as of the first day of the month if, for that month or the prior month, you received benefits under a reemployment trade adjustment assistance program for older workers established by the Department of Labor.

Example. You received benefits under a reemployment trade adjustment assistance program for older workers for January 2016. The program was established by the Department of Labor. You were an eligible RTAA recipient as of the first day of January and February.

PBGC Payee

You were an eligible PBGC payee as of the first day of the month if both of the following apply.

1. You were age 55 to 65 and not enrolled in Medicare as of the first day of the month; and
2. You received a benefit for that month that was paid by the PBGC under title IV of the Employee Retirement Income Security Act of 1974 (ERISA).

If you received a lump-sum payment from the PBGC after August 5, 2002, you meet item (2) above for any month that you would have received a PBGC benefit if you had not received the lump-sum payment.

Continued Qualification for Family Members after Certain Life Events

Qualifying family members (spouses and dependents) (see [Qualifying Family Member](#) below) can be considered recipients and file Form 8885 under their name and social security number after certain life events. You are considered a recipient and are eligible to newly receive or continue to receive the HCTC in the event that a related TAA, ATAA, or RTAA recipient or PBGC payee dies or finalizes a divorce with you and you were a qualifying family member immediately before such event. The TAA, ATAA, or RTAA recipient or PBGC payee did not need to elect the HCTC prior to the event. People who were qualifying family members can receive the tax credit for eligible coverage months up to 24 months from the death or divorce, or until the first coverage month that begins on or after January 1, 2020, whichever comes first. Eligibility to receive the HCTC may begin in either the month of the death or divorce

or the month following the death or divorce.

Example. Your spouse was a PBGC payee and died on August 20, 2015. You are eligible to receive the HCTC as a recipient for coverage for August 2015 through July 2017, subject to the other general HCTC requirements. If you didn't have separate coverage for August, you are eligible to receive the HCTC as a recipient for coverage for September 2015 through August 2017, subject to the other general HCTC requirements.


Qualified Health Insurance Coverage

Qualified health insurance coverage for the HCTC is any of the following.

1. Coverage under a group health plan available through the employment of your spouse, but see the instructions for [Line 1](#) for information on when enrollment in or an offer of employer-sponsored coverage makes you an individual ineligible for the HCTC.
2. Coverage under a non-group (individual) health insurance plan other than a qualified health plan offered through a Marketplace. Individual health insurance does not include any insurance connected with a group health plan or federal- or state-based health insurance coverage.
3. Coverage under a COBRA continuation provision (as defined in section 9832(d)(1)).
4. State-based coverage. State-based coverage includes the following.
 - a. Continuation coverage provided by the state under a state law that requires such coverage.
 - b. A qualified state high risk pool (as defined in section 2744(c)(2) of the Public Health Service Act).
 - c. A health insurance program offered for state employees.
 - d. A state-based health insurance program that is comparable to the health insurance program offered for state employees.
 - e. An arrangement entered into by a state and (i) a group health plan (including such a plan which is a multiemployer plan as defined in section 3(37) of ERISA), (ii) an issuer of health insurance coverage, (iii) an administrator, or (iv) an employer.
 - f. A state arrangement with a private sector health care coverage purchasing pool.
 - g. A state-operated health plan that does not receive any federal financial participation.
5. Coverage under a health plan funded by a voluntary employees' beneficiary association (VEBA) that was established through a bankruptcy court.

Exception. Qualified health insurance coverage does not include any of the following.

- Any state-based coverage listed in items 4a through 4g above unless it also meets the requirements of section 35(e)(2).
- A flexible spending or similar arrangement.
- Any insurance if substantially all of its coverage is of excepted benefits described in section 9832(c). For example, if you purchase dental or vision benefits separately, these benefits are not qualified health insurance coverage. But, if you purchase dental or vision benefits as part of a comprehensive package and these benefits do not represent substantially all of its coverage, the comprehensive package of benefits, including the dental and vision benefits, may be qualified health insurance coverage and the premiums paid may be eligible for the HCTC.

 **TIP** For more information about whether your coverage is qualified health insurance coverage, go to www.irs.gov/HCTC.

Qualifying Family Member

A qualifying family member is:

- Your spouse (a spouse does not include someone who is legally separated from his or her spouse under a decree of divorce or of separate maintenance (but see [Married Persons Filing Separate Returns](#) below)), or
- Anyone whom you can claim as a dependent (but see the exception for [Children of Divorced or Separated Parents](#) below).

For any month that you are eligible to take the HCTC, you can include premiums paid for a qualifying family member for that eligible coverage month if all of the following statements were true as of the first day of that eligible coverage month.

- The qualifying family member was covered by qualified health insurance coverage for which you paid some or all of the premiums. You and your qualifying family member do not have to be covered by the same coverage.
- The qualifying family member was not enrolled in Medicare Part A, B, or C.
- The qualifying family member was not enrolled in Medicaid or the Children's Health Insurance Program (CHIP).
- The qualifying family member was not enrolled in the Federal Employees Health Benefits Program (FEHBP) or eligible to receive benefits under the U.S. military health system (TRICARE).
- The qualifying family member was not covered by, or eligible for coverage under, any employer-sponsored health insurance coverage as described in the instructions for [Line 1](#).

Note. If you are an eligible TAA, ATAA, or RTAA recipient or PBGC payee who enrolled in Medicare, you may be able to take the HCTC for coverage of qualifying family members. You can receive the HCTC for the health plan premiums of your qualifying family member(s) for eligible coverage months up to 24 months from the month you enrolled in Medicare, or until the first coverage month that begins on or after January 1, 2020, whichever comes first. In order to receive the HCTC, your qualifying family members must meet all of the requirements described above.

Married Persons Filing Separate Returns

Your spouse is not treated as a qualifying family member if you and your spouse file separate returns and either (1) or (2) below applies.

1. Your spouse also was an eligible TAA, ATAA, RTAA recipient, or PBGC payee in 2016; or
2. All of the following apply.
 - a. You lived apart from your spouse during the last 6 months of 2016.
 - b. A qualifying family member (other than your spouse) lived in your home for more than half of 2016.
 - c. You provided over half of the cost of keeping up your home.

Children of Divorced or Separated Parents

Even if you cannot claim your child as a dependent, he or she is treated as your

qualifying family member for the HCTC if both of the following apply.

- You were the child's custodial parent. Generally, the custodial parent is the parent with whom the child resided for the greater number of nights in 2016. If the counting nights rule applies, and the child resided with each parent for an equal number of nights in 2016, the custodial parent is the parent with the higher adjusted gross income for 2016; and
- The child's other parent can claim the child as a dependent under the rules for children of divorced or separated parents (see the instructions for Form 1040, line 6c, or Pub. 501, Exemptions, Standard Deduction, and Filing Information, for details).

Conversely, if you can claim your child as a dependent under the special rule for a child of divorced or separated parents but you are not the child's custodial parent, the child is not your qualifying family member for purposes of the HCTC.



The child must also meet all of the other conditions of a qualifying family member defined earlier in order for you to claim the HCTC for the qualified health insurance coverage of the child.

Participants in a Health Insurance Marketplace

A qualified health plan offered through a Marketplace is not qualified health insurance coverage for the HCTC in 2016. And, you cannot take the PTC for any months checked on line 1. However,

subject to the general eligibility and election rules for the HCTC and the PTC, you may be able to claim the PTC and the HCTC in the same month for different coverage. For example, if you elect the HCTC for self-only COBRA coverage in a month, you can take the PTC for the Marketplace coverage of your family members for that same month if you and they are otherwise eligible to take the PTC and the HCTC, as applicable.

You may also be able to claim the HCTC and the PTC for different coverage of the same individuals in different months of the year but need to apply the following special instructions for completing Form 8962. If you elected to take the HCTC or received the benefit of advance payments of the HCTC for at least one month of the year and the individual(s) covered under the qualified health insurance coverage for the HCTC were also enrolled in a qualified health plan offered through a Marketplace for at least one other month of the year, complete Form 8962 as provided in the Form 8962 instructions, but:

- Figure your PTC for only those months not checked on Form 8885, line 1;
- Complete Form 8962, column (f) of lines 12 through 23, for all months for which advance payment of the premium tax credit (APTC) was made, even those months checked on Form 8885, line 1; and
- If you complete Form 8962, line 27 (Excess advance payment of PTC), determine Form 8962, line 28 (Repayment limitation) as follows:

IF . . .	THEN . . .
The amount on Form 8962, line 5, is 400 or 401	Leave Form 8962, line 28, blank and enter the amount from line 27 on line 29.
The amount on Form 8962, line 24, is zero or blank	Leave Form 8962, line 28, blank and enter the amount from line 27 on line 29.
You did not receive the benefit of advance monthly payments of the HCTC	Leave Form 8962, line 28, blank and enter the amount from line 27 on line 29.
The amount on Form 8962, line 24, is greater than zero and You received the benefit of advance monthly payments of the HCTC for at least one month of the year for individual(s) who were enrolled in a qualified health plan offered through a Marketplace for at least one other month of the year	After you complete Form 8962, line 27, complete Form 8885. Then, add the amount from Form 8885, line 5, if any, to the applicable repayment limitation provided in the instructions for Form 8962, line 28. Enter the result on Form 8962, line 28 and complete line 29.

Specific Instructions

Line 1

You must elect the HCTC to receive the benefit of the HCTC. Check the box for the first eligible coverage month you are electing to take the HCTC. All of the

statements listed on the form, and as further explained in these instructions, must be true as of the first day of that month. You must also check the box for each month after the election month for which all of the statements listed on the form are true as of the first day of that month, even if you are not claiming the HCTC for those months.

Employer-sponsored health insurance coverage. Do **not** check the box for any month that, as of the first day of the month, either (1) or (2) apply.

1. You were *covered* under any employer-sponsored health insurance plan (including any employer-sponsored health insurance plan of your spouse)

(except insurance substantially all of the coverage of which is of excepted benefits described in section 9832(c)) and the employer paid 50% or more of the cost of the coverage; or

2. You were an eligible ATAA or RTAA recipient and either of the following applies.

a. You were *eligible* for qualified health insurance coverage (including any employer-sponsored health insurance plan of your spouse) (other than the coverage listed under item 3, 4a, or 4e in the definition of [Qualified Health Insurance Coverage](#)) where the employer would have paid 50% or more of the cost of the coverage; or

b. You were *covered* under any qualified health insurance coverage (including any employer-sponsored health insurance plan of your spouse) (other than the coverage listed under item 3, 4a, or 4e in the definition of [Qualified Health Insurance Coverage](#)) and the employer paid any part of the cost of the coverage.



Any amounts contributed to the cost of coverage by you or your spouse on a pre-tax basis are considered to have been paid by the employer.

Example. You had health insurance coverage under an employer-sponsored health insurance plan as of October 1. The employer paid 40% of the cost of the coverage. You paid 60% of the cost of the coverage through pre-tax contributions. You cannot take the HCTC for the month of October because the employer is considered to have paid 100% of the cost of the coverage.

Line 2



If your qualified health insurance coverage covers anyone other than you and your qualifying family members, see Pub. 502, Medical and Dental Expenses, before completing line 2, to determine which amounts are considered to be paid for coverage for you and your qualifying family members.

Enter the total amount of insurance premiums paid by you for coverage for you and all qualifying family members under [qualified health insurance coverage](#) for all eligible coverage months checked on line 1. But do not include any insurance premiums paid by you for eligible coverage months for which you received the benefit of the advance monthly payment program. Also, do not include any advance monthly payments your health plan administrator received from the IRS, as shown on Form 1099-H, box 1.

Example 1. You checked January on line 1. You paid \$225 (\$200 for basic coverage and \$25 for dental benefits which are purchased separately) directly

to your health plan for coverage for your January coverage. The \$25 you paid for dental benefits is ineligible for the HCTC. You would include the \$200 you paid for your basic insurance on line 2.

Example 2. You checked December on line 1. You participated in the advance monthly payment program and paid only \$88 (27.5%) of your \$320 December premium. You received a Form 1099-H showing an advance payment of \$232 (72.5% of the \$320 premium) for your December coverage. You would not include any part of the December coverage premium on line 2 because you already received the benefit of the advance monthly payment program for December. You must still file Form 8885 to elect the HCTC for December.

Line 5

If the resulting amount is zero or blank, you can't claim the HCTC on your income tax return. However, you must still file Form 8885 to elect the HCTC for any months you participated in the advance monthly payment program.

Required Documents

If you claim any HCTC on line 5, you must provide verifiable proof for each month you are claiming the credit on line 2 that your health insurance coverage is qualified health insurance coverage for the HCTC and that you paid premiums for the qualified health insurance coverage by attaching the documents listed below to your Form 8885. No documents are required if you file Form 8885 only to elect the HCTC for months you participated in the advance monthly payment program.

All health plans. For all health plans you must include **all** of the following documents.

1. An official letter reflecting that you were an eligible individual for the months claimed on line 2 in 2016:
 - For trade certified individuals demonstrating TAA, ATAA, or RTAA eligibility — a copy of the official letter from the Department of Labor, your state workforce agency, or employment office stating you are eligible for trade adjustment benefits.
 - For PBGC eligibility — a copy of the official letter or a copy of your 2016 Form 1099-R from the PBGC showing you received a benefit paid by the PBGC.
2. A copy of your health insurance bills or COBRA payment coupons for each month you are claiming the credit on line 2.* The bills must have:
 - a. Your name (or name of the policy holder),
 - b. The name of your health plan,
 - c. Your monthly premium amount,
 - d. Dates of coverage, and

e. Your health plan identification number(s).

*If your health plan does not provide members with an insurance bill or COBRA payment coupon, you must provide health plan enrollment documents or an official letter from your health plan that has the required information listed under items 2a through 2e earlier. If your monthly premium includes amounts that do not count towards the HCTC, such as dental or vision coverage or coverage for family members who are not eligible for the HCTC, your documentation must also specify those ineligible amounts.

3. Proof of payment for each month you are claiming the credit on line 2 such as:**

- a. Canceled checks (copy of front and back),
- b. Bank statements,
- c. Credit card statements, or
- d. Money orders.

**Your proof of payment must indicate the amount paid and to whom it was paid. If you do not have one of these types of proof of payment, contact your health plan for a record of your payment(s).

COBRA coverage. You must include the information under [All health plans](#) and **one** of the following documents.

1. A copy of your completed and signed COBRA Election Letter. It may also be called a COBRA Enrollment Form, Application Form, Enrollment Application for Continuing Coverage, or Election Agreement.
2. A letter from your former employer or COBRA administrator saying you have COBRA coverage. The letter must have:
 - a. The COBRA coverage start and end dates;
 - b. Name of the health plan;
 - c. Your home address; and
 - d. Covered family members, their dates of birth, their relationship to you, and their social security numbers.
3. A copy of "Notice of Rights to Continue Coverage."

Coverage through your spouse's employer. You must include the information under [All health plans](#) and the following documents.

- Copies of paycheck stubs showing the health coverage deductions for each month you are claiming the credit on line 2.
- A letter or other statement from your spouse's employer that states the employer contributed less than 50% of the cost of the coverage (TAA recipients and PBGC payees) or made no contributions to the cost of coverage (ATAA and RTAA recipients).

E-filed return. If you *e-file*, you can attach a copy of any required documents to an electronically filed return as a PDF if your tax software supports it, or you must attach those documents to Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return, and mail them to the IRS according to the instructions for that form.

Example 1. You checked June and July on line 1. Your insurance coverage for each month cost \$750 (\$500 for you and \$250 for your qualifying family members). You paid \$750 directly to your health plan for your June coverage. You then paid \$206.25 (27.5% of the \$750 premium) for your July coverage as part of the advance

monthly payment program. Your health plan administrator received an advance payment of \$543.75 (72.5% of the \$750 premium) from the IRS for your July coverage. You received a Form 1099-H showing an advance payment of \$543.75 for your July coverage. You would include the \$750 you paid for your June coverage on line 2. You would not include any part of the July coverage premium on line 2 because you already received the benefit of the advance monthly payment program for July. You must attach copies of your health insurance bills and proofs of payment for the June coverage for you and your qualifying family members totaling \$750, along with any other

required documents. You don't need to attach documents for your July coverage.

Example 2. You checked March and April on line 1. Your insurance coverage for each month cost \$750 (\$500 for you and \$250 for your qualifying family members). You paid \$750 directly to your health plan for each month. You would include \$1,500 on line 2 for the March and April coverage. You must attach copies of your health insurance bills and proofs of payment for the March and April coverage for you and your qualifying family members totaling \$1,500 (\$750 for each month), along with any other required documents.