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*The Health
Insurance Premium
Tax Credit for Tax
Year 2014 –
What You Need to
Know*



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HHS & Role of the Health Insurance Marketplace

HHS: Administers the Marketplace and advance payments of PTC

Marketplace: Health Insurance options, purchases & financial assistance

HealthCare.gov has more information



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What is the Premium Tax Credit?

- Refundable tax credit
- To help eligible individuals and families pay for health insurance
- Two payment options:
 - Get it **Now** – advance credit payments
 - Get it **Later** – without advance credit payments



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Eligibility PTC

To be eligible the individual must:

- Be an Applicable Taxpayer:
 - Income between 100 and 400 % FPL (for family size) with some exceptions,
 - Cannot be claimed as a dependent, and
 - If married, files a joint return (with some exceptions)
- Have a “Coverage Month”:
 - Enrolled in a QHP through a Marketplace,
 - Not eligible for other minimum essential coverage, and
 - Premiums are paid



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Income Limits Based on 2013 Federal Poverty Line (FPL)

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

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



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PTC Key Considerations

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



Changes in Circumstances Can Affect the Credit

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- Changes in circumstances can affect:
 - Eligibility for the PTC - even if not previously eligible
 - Amount of the premium tax credit
- Report changes to HealthCare.gov or state marketplace website promptly

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



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Major Changes in Circumstances

- Marriage, divorce
- Increases or decreases in number of dependents
- Changes in an individual's residence
- Job or other changes increasing or decreasing income
- Loss of other health coverage
- Changes in filing status



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Form 1095-A

- Issued by the Health Insurance Marketplace
- Sent by January 31
- Shows:
 - Documentation of coverage by month
 - Premiums, and
 - Advance payments of PTC



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Form 8962

- Part 1 – Annual & Monthly Contribution
- Part 2 – PTC Claim & Reconciliation
- Part 3 – Repayment of Excess of Advance Payment
- Part 4 – Shared Policy Allocations
- Part 5 – Alternative Calculation for Marriage



How Does Reconciliation Work?

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

* Amount from Form 8962 that would be entered on Form 1040.

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

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What are Repayment Caps?

36B Advance Repayment Limitations

Household Income (as % of Federal Poverty Line)	Single Filers	All Other Filers*
Less than 200%	\$300	\$600
At least 200% - less than 300%	\$750	\$1,500
At least 300% - less than 400%	\$1,250	\$2,500
400% or more	N/A	N/A

Example: Total advance payments \$2,952
 Premium tax credit - \$1,062
 Equals \$1,890*

*But capped at \$1,250, so total amount due is \$1,250



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Premium Tax Credit Summary

- Refundable credit for *only* eligible individuals
- Get it **Now** (advance credit payments)
- **or**
- Get it **Later** (without advance credit payments)
- Report changes in circumstances
- Advance credit payments must be reconciled
- Everyone who receives this credit must file a tax return
- Use Form 1095A, Form 8962 and Form 1040



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Resources for PTC

- IRS.gov/aca pages include,
 - PTC and including Q&A section
 - Tax tips and legal guidance
 - Electronic publications 5120, 5121 and 5152
- HealthCare.gov or state Marketplace website for Marketplace information



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Glossary of PTC Terms

- **Affordability:** Annual premium for the lowest-cost option of employer-sponsored self-only coverage that provides minimum value and does not exceed 9.5 percent of household income.
- **Minimum Value:** Employer-sponsored plans that cover at least 60 percent of the total allowed costs of benefits.
- **Household Income for PTC:** The Modified Adjusted Gross Income (MAGI) of the taxpayer and the taxpayer's spouse, plus the MAGI of all the dependents in the tax household who are required to file a tax return.
- **MAGI for PTC:** Adjusted gross income from the federal income tax return, plus any excluded foreign income, non-taxable Social Security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest received or accrued during the taxable year. MAGI does not include Supplemental Security Income (SSI).