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Individual Shared Responsibility Provision – What You Need to Know



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What is the ISRP ?

Starting in 2014, *everyone* must either:

Have Minimum Essential Coverage*

OR

Have a Coverage Exemption

OR

Make a Shared Responsibility Payment

**Minimum essential coverage must be maintained each month*



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What is Minimum Essential Coverage?

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



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What Qualifies as an Exemption?

Exemptions from coverage requirements

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



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Additional Exemptions

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



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Getting an Exemption

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



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When Would an Individual Need to Make a Payment?

A payment may be due for an individual and dependents, if they don't have:

- MEC for every month of the year, and
- An exemption for the months without MEC.

Reported on the federal income tax return



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How is the Payment Computed?

Year	Greater of			
	Payment gradually increased 			
	2014	2015	2016	After 2016
Percentage income (annual)	1% of household income	2% of household Income	2.5% of household income	2.5% of household income
Flat dollar amount (annual)	\$95 per adult 50% for individuals under 18	\$325 per adult 50% for individuals under 18	\$695 per adult 50% for individuals under 18	\$695 per adult plus an increase based on cost of living 50% for individuals under 18

Note: computed amount is capped at an amount equal to the national average premium for a bronze level health plan



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Sample Calculation

Facts:

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

Payment calculation

- *Percentage of income:*
$$\$40,000 - 10,150 = \$29,850,$$
$$1\% \times \$29,850 = \$298.50$$
- *Flat dollar:* \$95
- **2014 ISRP = \$298.50** (\$298.50 is > \$95)
< the national average for bronze level coverage



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Sample Calculation

Facts:

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

Payment calculation

- *Percentage of income:*
$$\$70,000 - 20,300 = \$49,700,$$
$$1\% \times \$49,700 = \$497$$
- *Flat dollar:* $285 = ((95 \times 2) + (\$95/2 \times 2))$
- **2014 ISRP = \$497** (\$497 is > \$285)
< the national average for bronze level coverage



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What Information Documents Will Be Issued?

Starting 2014 tax year:

- Form 1095-A, Health Insurance Marketplace Statement

Starting 2015 tax year:

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



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How Will

ISRP be Reported?

- Starts with the 2014 federal income tax return, which is filed in 2015
- Full year coverage is reported on the tax return
- Form 8965 is used to document a coverage exemption
- Payment, if due, is reported and paid with the tax return



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Form 8965

Attach to income tax return to report exemptions from the ISRP

Sections:

- Part I – Marketplace-Granted Exemptions
- Part II – Exemptions for Your Household
- Part III – Exemptions for Individuals



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Individual Shared Responsibility Provision Summary

- Everyone must :
 - Have Minimum Essential Coverage,
 - An Exemption, or
 - Make a Shared Responsibility Payment
- MEC is reported on the tax return
- Exemptions are reported on Form 8965 filed with the tax return
- The shared responsibility payment is reported on the tax return



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Resources for ISRP

ISRP Resources on IRS.gov/aca

- ISRP pages including:
 - ✓ MEC chart,
 - ✓ Exemption chart, and
 - ✓ Q&A section
- Health Care Tax Tips and legal guidance

Visit HealthCare.gov (or state website) for Marketplace information



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Glossary of ISRP Terms

- **Exemption Certificate Number (ECN):** when the Marketplace grants an exemption they provide a numbered certificate to the individual(s); this ECN will be used to report the exemption when filing a tax return.
- **Employer Sponsored Insurance:** (ESI) an insurance plan offered through an employer.
- **Government Sponsored Insurance (GSI):** health care provided by government entities such as Medicare, Medicaid, CHIP, TRICARE, and veterans' health care under chapter 17 or 18 of Title 38 U.S.C.
- **Household Income (HHI) for ISRP:** 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.
- **Individual Shared Responsibility Payment:** a payment required by ACA when individuals do not fulfill their health care coverage responsibilities.
- **Modified Adjusted Gross Income (MAGI) for ISRP:** the amount of your Adjusted Gross Income (AGI) from the federal income tax return increased by any Foreign Earned Income Exclusion and tax-exempt interest you received or accrued during the taxable year.