

ACA Application and Possible Errors

ACA Component	Tax Law/Computations	Possible Errors
Minimum Essential Coverage (MEC)	Does not include dental/vision insurance, accident/disability insurance, worker’s compensation, or limited-service Medicaid or other insurance sold by third-party insurance brokers.	Reporting as MEC insurance which is not considered MEC
MEC From the Marketplace or HealthCare	<p>Must have Form(s) 1095-A.</p> <p>Check entries PTC and APTC.</p> <p>Ensure dependents listed on the tax return correlates with everyone listed on a Form 1095-A. The return is out-of-scope if:</p> <ul style="list-style-type: none"> • Someone listed on Form 1095-A is not listed on the tax return • Someone listed on the tax return is not listed on another filer’s Form 1095-A. 	<p>Completing a return when it is out-of-scope (Shared Policy Allocation)</p> <p>Completing the return without Form(s) 1095-A</p> <p>Using Form(s) 1095-A with incorrect information or transposing numbers when entering the data into the software</p> <p>Not looking up the SLCSP when Form 1095-A does not include the SLCSP or when multiple Forms 1095-A are received</p>
Multiple Forms 1095-A	<p>The taxpayer may have multiple Forms 1095-A if the taxpayer:</p> <ul style="list-style-type: none"> • Changed Marketplace plans during the year • Updated their applications with new information resulting in a new enrollment • Had family members enrolled in different Marketplace plans • Had more than five family members on the same plan <p>If the amounts are different in columns A (premiums) & C (APTC), add the amounts together. If the amounts are the same, use that amount. For column B: If same state the SLCSP should be the same; if different states add together.</p>	<p>Combining/not combining the amounts in columns A, B, and/or C</p> <p>Adding the amounts incorrectly</p> <p>Transposing numbers</p>

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<p>(Individual) Shared Responsibility Payment (SRP)</p>	<p>SRP is based on the greater of:</p> <ul style="list-style-type: none"> ○ A percentage of income (2.5%) ○ Flat dollar amount (\$695 per adult or \$347.50 per child, limited to \$2,085 for 2016) <p>SRP is capped at the national average bronze plan premium (NABPP). The taxpayer will owe 1/12th of the annual payment for each month anyone on the return does not have either coverage or an exemption. (https://www.healthcare.gov/tax-tool/)</p> <p>Tax household (for the SRP) includes the taxpayer, the taxpayer’s spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also includes each person the taxpayer can, but does not, claim as a dependent.</p> <p>Taxpayers must know their household income and applicable tax return filing threshold to calculate the SRP.</p> <p>Modified Adjusted Gross Income (MAGI) includes: taxpayer’s AGI, Social Security benefits not included in AGI, tax-exempt interest, excluded foreign earned income,</p> <p>The SRP is computed on the Shared Responsibility Payment Worksheet and reported on Form 1040, Line 61.</p>	<p>Adding in dependent MAGI when it was not required (e.g. must have income above the filing threshold)</p> <p>Not limiting the SRP calculation to:</p> <ul style="list-style-type: none"> ▪ the National Average Bronze plan limit ▪ the correct percentage of income (2.5% for 2016) or ▪ The maximum flat dollar amount (3X the adult rate of \$695) <p>Returns that are “silent” on the health care coverage requirement when the taxpayer may owe a SRP.</p> <p>Dependents who did not claim their own personal exemption reporting an SRP on their return because they did not have coverage. The person claiming their exemption is responsible for reporting coverage, exemptions, or an SRP on their behalf.</p>
<p>Exemptions (Form 8965)</p>	<p>Taxpayers do not need to file a tax return solely to report health care coverage or to claim an exemption if they are not otherwise required to file.</p> <p>Hardship exemption is available for individuals residing in a state that did not expand Medicaid coverage with household income below 138% of the federal poverty line.</p> <p>For Exemptions, the tax household includes the taxpayer, the taxpayer’s spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also generally includes each person the taxpayer can, but does not, claim as a dependent.</p> <p>Household income: The taxpayer’s household income is below the taxpayer’s minimum threshold for filing a tax return. Includes the Modified Adjusted Gross Income of the taxpayer (and spouse, if MFJ) and the MAGI of any dependent who is required to file a tax return.</p> <p>Gross income below the filing threshold – Gross income of taxpayer (and spouse if Married Filing Jointly) is below the filing threshold (do not include income of dependents).</p> <p>MAGI - used for coverage exemptions includes AGI, excluded foreign income, and tax-exempt interest.</p>	<p>Form 8965 not completed/included with the tax return.</p> <p>More than one Form 8965 included in the tax return.</p> <p>Not claiming an exemption when entitled.</p> <ul style="list-style-type: none"> • Exemption for Gross or Household income below the filing threshold • Exemption for individuals who were not lawfully present (e.g. DACA or Dream Act) • Short coverage gaps of up to 2 months

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Household Exemption	Household Exemptions can be requested when the household income <u>OR</u> gross income is below filing threshold; the exemption is for the entire tax household.	
Individual Exemptions	Individual Exemptions are only for the named individual.	
Short Term Gap	<p>Less than three consecutive months without MEC during the tax year.</p> <p>If the taxpayer had more than one short term gap in a given tax year, only the first short term gap qualifies for an exemption.</p> <p>Considered to have MEC if covered at least one day that month.</p>	Look at last two months of the prior year if the potential short term gap is at the beginning of the year
Affordability	<p>Insurance is considered unaffordable if the premiums cost more than 8.13% of the household income. For affordability, the Household income is the AGI from the individual’s tax return plus excludible foreign earned income, tax-exempt interest, and the income of all dependents who are required to file tax returns.</p> <p>For each member of the tax household, enter into the Affordability Worksheet, the appropriate annualized premium for each month for each member of the household. Use the first option that applies to each member of the tax household for each month:</p> <ol style="list-style-type: none"> 1. The lowest cost self-only policy offered to each member of the tax household for each month 2. The lowest cost family policy offered by the employer or the spouse’s employer (if MFJ) 3. The amount from the Marketplace Coverage Affordability Worksheet <p>Note:</p> <p>A) If the monthly premium is the same the whole year, use the annual premium for each month.</p> <p>B) For part-year coverage, enter the total premiums paid during the part-year period and divide by the number of months for the part-year coverage. Multiply the remainder by 12.0 for the annualized premium.</p> <p>Use the Marketplace Coverage Affordability Worksheet ONLY IF the taxpayer is not offered employer coverage.</p> <p>A taxpayer who was eligible for Medicaid but didn’t enroll is likely to be eligible for the affordability exemption</p> <p>A taxpayer who was eligible for PTC but didn’t enroll is most likely not eligible for the affordability exemption.</p>	<p>Error in computations</p> <p>Transposition of numbers</p> <p>Not completing the worksheet to determine affordability</p> <p>Using the wrong tables, figures</p>

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<p>Premium Tax Credit (PTC) Form 8962</p>	<p>The credit amount for a month is the lesser of two amounts: (1) the monthly premium for the plan or plans in which the taxpayer’s family enrolled (enrollment premium) or (2) the monthly premium for the taxpayer’s applicable second lowest cost silver plan (SLCSP) minus the taxpayer’s monthly contribution amount.</p> <p>To get the PTC, the taxpayer must meet all of the following:</p> <ul style="list-style-type: none"> • The taxpayer, spouse or a dependent was enrolled in a qualified health plan at the Marketplace for one or more months in which the enrollee was not eligible for other minimum essential coverage through an employer or government plan (to enroll in a Marketplace plan, an individual must be a U.S. citizen or lawfully present and cannot be incarcerated) • Had household income between 100 and 400 % of the Federal Poverty Line based on family size, with some exceptions for individuals under 100% • If married, did not file as MFS (with some exceptions) • Cannot be claimed as a dependent, and • Pay or have someone else pay the premiums by the due date of the tax return for the year of coverage for one or more of those same months. <p>IF MFS, ensure the taxpayer did not claim PTC unless one of the exceptions are met.</p> <p>Tax Family (for the PTC) includes individuals for whom the taxpayer claims an exemption on the tax return (generally the taxpayer, spouse, MFJ, and dependents).</p> <p>Household income is based on MAGI of the taxpayer (and spouse, if MFJ) and the MAGI of all dependents with income above the filing requirement threshold.</p> <p>Modified Adjusted Gross Income (MAGI) includes AGI, excluded foreign income, nontaxable Social Security benefits (including tier 1 railroad benefits), and tax-exempt interest. It does not include Supplemental Security Income (SSI).</p>	<p>Incorrect SLCSP premiums</p> <p>Enrollment information provided by the Marketplace:</p> <ul style="list-style-type: none"> ○ Policy issuer’s name ○ Policy start/end date ○ Enrollment premiums/Premium cost (Part III, Column A) ○ APTC paid (Part III, Column C) <p>These errors would need to be identified by the taxpayer. A corrected Form 1095-A is required.</p> <p>Form 1095-A data not correctly reported - on Form 8962, Part 2, Lines 11 or 12-23 (Columns A and B) - Taxpayers did not transcribe information to the Form 8962 accurately.</p> <p>Transposed numbers</p> <p>Miscalculated Monthly PTC Allowed – on Form 8962, Part 2, Lines 11 or 12-23 (Column E) Taxpayers did not accurately calculate the annual PTC (Line 11) or the monthly PTC (Line 12)</p> <p>Miscalculated Repayment Amount of Excess APTC – on Form 8962, Part 3, Lines 28 & 29 Be mindful of the calculation and the repayment caps</p> <p>Volunteers will need to look up the SLCSP if:</p> <ul style="list-style-type: none"> • It is incorrect (example, change in family size was not reported) • It is missing (someone paid the full premium as they did not request APTC) NOTE: The Marketplace routinely leaves this blank. • There are multiple Forms 1095-A with conflicting information or the taxpayer otherwise thinks it is incorrect • (https://www.healthcare.gov/tax-tool/)

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<p>Federal Poverty Guidelines</p>	<p>HHS provides three sets of federal poverty guidelines:</p> <ul style="list-style-type: none"> • One for residents of the 48 contiguous states and D.C. • One for Alaska residents • One for Hawaii resident <p>If the taxpayer is in a state that did not expand Medicaid, and the income is between 100 and 138% FPL, the taxpayer may be eligible for an exemption.</p> <p>If the taxpayer moved during 2016 and lived in Alaska and/or Hawaii, or is filing jointly and TP and spouse lived in different states, use the table with the higher dollar amounts for the family.</p>	
<p>Advance Payments of the Premium Tax Credit (APTC)</p>	<p>Taxpayers who received APTC must file a return to reconcile, even if they do not otherwise have a filing requirement. Reconcile PTC/APTC on Form 8962.</p> <p>Taxpayers with excess advance credit payments must repay the lesser of the excess or the repayment cap that applies to the taxpayer. For single filers the excess advance credit repayment caps are \$300 (household income is below 200% of the FPL), \$750 (household income is below 300% of the FPL), and \$1250 (household income below 400% of the FPL). For all other filers in these ranges, the caps are double the amount for single filers: \$600 \$1500, and \$2500.</p> <p>HHS provides three sets of federal poverty guidelines:</p> <ul style="list-style-type: none"> • One for residents of the 48 contiguous states and D.C. • One for Alaska residents • One for Hawaii resident <p>If the taxpayer is in a state that does not participate in a Medicaid program for all, use the 138% rate.</p>	<p>Did not reconcile APTC – must use Form 8962, Part 2, Lines 11 or 12-23 (Column F) and reconcile any APTC even if the taxpayer otherwise has no obligation to file a tax return</p> <p>Claimed PTC but failed to attach Form 8962 – If your clients claim PTC they must file Form 8962</p> <p>Form 1095-A data not correctly reported - on Form 8962, Part 2, Lines 11 or 12-23 (Columns A and B) - Taxpayers did not transcribe information to the Form 8962 accurately</p> <p>Transposed numbers</p> <p>Miscalculated Monthly PTC Allowed – on Form 8962, Part 2, Lines 11 or 12-23 (Column E) Taxpayers did not accurately calculate the annual PTC (Line 11) or the monthly PTC (Line 12)</p> <p>Miscalculated Repayment Amount of Excess APTC – on Form 8962, Part 3, Lines 28 & 29 Be mindful of the calculation and the repayment caps</p>
<p>Not Lawfully Present</p>	<p>An individual who is NOT a US Citizen, US National, or an alien lawfully present in the US.</p>	<p>Not determining if an individual is here lawfully</p>