

**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224**

OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

Thank you for your correspondence concerning the premium tax credit (PTC) for eligible taxpayers enrolled in health insurance through a Health Insurance Marketplace (Marketplace). You expressed concern with how the PTC is calculated and the potential inequities for single parent households. Additionally, you spoke with _____ and _____ of my office about your concerns.

The PTC is a refundable tax credit for certain individuals who enroll, or who have a family member who enrolls, in a health insurance plan through a Marketplace, and is intended to help with the cost of the insurance. Taxpayers claim the PTC by filing Form 8962, Premium Tax Credit (PTC), with their federal income tax return.

The amount of a taxpayer's PTC for a year depends on the amount of the taxpayer's household income and his or her family size for the year. For example, a qualifying family of 2 with household income at 150 percent of the federal poverty line for the taxpayer's family size will get a larger PTC than a similarly-situated family with household income at 350 percent of the federal poverty line. Taxpayers with household income over 400 percent of the federal poverty line for their family size are not allowed a PTC.

A taxpayer's PTC is the lesser of:

(1) The premiums for one or more qualified health plans in which the taxpayer or any individual in the taxpayer's tax family enrolled (enrollment premiums); or

(2) The amount of the second lowest cost silver plan (SLCSP) premium in which the members of the taxpayer's coverage family may enroll, less the taxpayer's contribution amount.

A taxpayer's contribution amount is his or her household income multiplied by a percentage that varies based on the relationship of the household income to the Federal poverty line. Further, a taxpayer's coverage family consists of the individuals in the family who enroll in a Marketplace plan and are not eligible to enroll in non-Marketplace coverage such as Medicaid or the Children's Health Insurance Program (CHIP). Thus, a single parent who enrolls in Marketplace coverage and is not eligible to enroll in non-Marketplace coverage, with three children all eligible for CHIP, has a coverage family of one.

You stated in your correspondence that there are instances in which the PTC will entirely cover the enrollment premiums for a two-person coverage family who enrolls in a low-cost plan offered by their Marketplace, whereas the PTC does not entirely cover the premium for a one-person coverage family who enrolls in the same low-cost plan, and has the same family size and household income as the two-person coverage family. You expressed concern that this result places an undue financial burden on single-parent households.

Although we do not have independent knowledge of the specific situations you describe, we acknowledge that those situations could occur. Under the law, a two-person coverage family eligible for a PTC will generally have a larger PTC than a one-person coverage family if the two families have the same family size and household income and enroll in the same Marketplace plan. Thus, even though the enrollment premiums for the two-person coverage family will be twice that of the one-person coverage family, the PTC of the two-person coverage family could be more than twice as much. In that case, the PTC for the two-person coverage family may entirely cover their enrollment premiums for a low-cost plan whereas the PTC for the one-person coverage family covers some, but not all, of their enrollment premiums for the same plan. Congressional action would be required to change this result.

Thank you very much for your concern and your correspondence about this issue. Please call _____ or _____ at _____ if you have other concerns or questions regarding the PTC.

Sincerely,

Michael J. Montemurro
Chief, Branch 4,
Office of Associate Chief Counsel
(Income Tax and Accounting)