

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

OFFICE OF THE CHIEF COUNSEL

June 20, 2017

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UIL: 5000A.00-00

Dear _____ :

I am responding to your letter to President Trump dated February 15, 2017, concerning your health insurance requirements under the Affordable Care Act (ACA). Specifically, you asked whether, for 2017, you must either be covered by health insurance that provides a certain level of benefits or make a shared responsibility payment.

The law requires individuals to have qualifying health care coverage (known as minimum essential coverage) for each month, qualify for a coverage exemption for the month, or make a shared responsibility payment when filing their federal income tax return. Minimum essential coverage generally includes:

- Coverage provided by an employer;
- Health insurance an individual purchases in the Health Insurance Marketplace;
- Government-sponsored coverage such as Medicare Part A, Medicare Advantage, and most Medicaid plans;
- Coverage an individual purchases directly from an insurance company; and
- Other coverage designated by the Department of Health and Human Services as minimum essential coverage.

However, minimum essential coverage does not include coverage consisting solely of excepted benefits. Excepted benefits include stand-alone vision and dental plans, workers' compensation coverage, and coverage limited to a specified disease or illness.

Certain individuals are exempt from the requirement to have minimum essential coverage. One exemption is for individuals whose coverage options are considered unaffordable because the minimum amount they must pay for minimum essential

coverage is more than a certain percentage of their household income. That percentage is 8.16 for 2017. Your 2017 household income is the modified adjusted gross income of you, your spouse (if filing jointly), and any dependents who are required to file a tax return. Modified adjusted gross income is the adjusted gross income from the tax return plus any excludible foreign earned income and tax-exempt interest received during the taxable year. For more information on health coverage exemptions, you may want to visit our website, www.irs.gov, and review Form 8965, Health Coverage Exemptions.

If you do not qualify for a coverage exemption for 2017, the law allows you to forego health coverage and make a shared responsibility payment when you file your tax return for 2017. The shared responsibility payment for 2017 is generally the greater of two amounts: (i) 2.5 percent of your household income above the income tax return filing threshold for an individual of your age and with your filing status or (ii) a flat dollar amount (for 2017, \$695 per adult and \$347.50 per child, with a maximum family amount of \$2,085). However, if the greater of these two amounts is more than the cost of the national average premium for a bronze level health plan available through the Health Insurance Marketplace, your shared responsibility payment amount is capped at the bronze level national average premium amount. The 2017 bronze level national average premium amount has not yet been published, but the 2016 amount was \$2,676 per year (\$223 per month) for an individual and \$13,380 per year (\$1,115 per month) for a family with five or more members. The instructions to Form 8965 include worksheets to assist taxpayers with the computation of their shared responsibility payment.

You also asked about the Executive Order Minimizing the Economic Burden of the Patient Protection and Affordable Care Act Pending Repeal (January 20, 2017). This Executive Order directed federal agencies to exercise the authority and discretion permitted to them by law to reduce potential burden imposed by the ACA. The Executive Order does not change the law; the legislative provisions of the ACA are still in force until changed by the Congress, and taxpayers remain required to follow the law, including the requirement to have minimum essential coverage for each month, qualify for a coverage exemption for the month, or make a shared responsibility payment. For additional information on the ACA Executive Order, please visit <https://www.irs.gov/tax-professionals/aca-information-center-for-tax-professionals>.

I hope this information is helpful. If you need further assistance, please call
at _____ or me at _____.

Sincerely,

Michael J. Montemurro
Branch Chief
Associate Chief Counsel
Income Tax and Accounting