

What the New Health Care Law Means for You and Your Taxes

The Affordable Care Act (ACA), also called ObamaCare, requires that you* and each member of your family have:

1. qualifying health insurance coverage for each month of the year, or
2. qualify for an exemption from the coverage requirement, or
3. make an individual shared responsibility payment when filing your federal income tax return.

Health Coverage

Many taxpayers will simply need to check a box on their tax return to indicate that each member of their family had qualifying health coverage (aka minimum essential coverage) for the whole year. Examples of such coverage are employer-sponsored health coverage, individual health insurance coverage purchased directly from a health insurance provider, Medicare, Medicaid or CHIP (Children's Health Insurance Program).

However, taxpayers who purchased health insurance through the Marketplace and qualify for, or received advance payments of the premium tax credit, will have extra steps to take when filing their tax return.

If you bought coverage through the Health Insurance Marketplace, you should receive Form 1095-A, Health Insurance Marketplace Statement from your Marketplace by early February. This form has important information needed to complete your tax return.

If you benefited from advance payments of the premium tax credit, you must file a federal income tax return and reconcile those advance payments with the amount of premium tax credit you're entitled to based on your actual income for the year.

When you file your return, you will complete IRS Form 8962, Premium Tax Credit (PTC), to calculate your premium tax credit and reconcile the credit with any advance payments you received, using the information reported to you from your Marketplace on Form 1095. If you received a higher advanced premium tax credit than you were entitled to, you may end up owing money back to the IRS, or if you are due a refund, your refund may be reduced.

Now that is if you had health insurance coverage for the year.

Exemptions

If you did not have qualifying health coverage for the year, you may be eligible to claim an exemption from the requirement to have coverage. If you qualify for an exemption, you will need to complete

the new IRS Form 8965, Health Coverage Exemptions, when you file your tax return. You must apply for some exemptions, such as the hardship exemption, through the Health Care Insurance Marketplace. However, most of the exemptions can be obtained from the IRS when you file your tax return. Some of the exemptions are available from either the Marketplace or the IRS, such as the exemption based on incarceration.

If you apply for and receive an exemption through the Marketplace, you'll receive an Exemption Certificate Number to include when you file your taxes. If you have applied for an exemption through the Marketplace and are still waiting for a response, you can put "pending" on your tax return where you would normally put your Exemption Certificate Number.

Individual Shared Responsibility Payment

If you do not have qualifying coverage or an exemption for each month of the taxable year, you will need to make an individual shared responsibility payment when you file your tax return for choosing not to purchase coverage. For tax year 2016, the annual payment amount is the greater of:

- 2.5 percent of your household income that is above the tax return threshold for your filing status (the filing threshold for married filing jointly filing status is \$20,700 for 2016, whereas the filing threshold for single filing status for 2016 is \$10,350, for example); or
- Your family's flat dollar amount, which is \$695 per adult and \$347.50 per child, limited to a family maximum of \$2,085.

Conclusion

So in sum, if you obtained health insurance through the marketplace, you will have several more forms to file when you file your 2016 federal income tax return in 2017. And again, the ACA requires that you and each member of your family have

1. qualifying health insurance coverage for each month of the year, or
2. qualify for an exemption from the coverage requirement, or
3. make an individual shared responsibility payment when filing your federal income tax return.

*You must be a U.S. citizen or a non-U.S. citizen legally living in the United States in order to qualify for ACA health insurance coverage.

This flyer was adapted from IRS Tax Tips Issue Number HCTT-2015-02.

For more information, please contact
The Community Tax Law Project
Phone: (804) 358-5855 or (800) 295-0110
Email: info@ctlp.org Website: www.ctlp.org

This information is not legal advice. We are providing this information as a public service. We have tried to make it accurate as of the date below, but keep in mind that tax laws change frequently.

CTLP is a nonprofit organization that provides free legal help to low-income taxpayers who have tax problems. CTLP receives funding from the IRS but is not part of the IRS or the Virginia Department of Taxation. Your decision to use CTLP will not affect your rights before the IRS.