



2014
AFFORDABLE CARE
ACT

(OBAMA CARE)

Planning for 2014 Tax Return Filings

- o Beginning 2014, the ACA requires all persons be covered by health insurance
- o Individuals not covered by Medicare, their employers, or otherwise, must generally obtain private health insurance
- o Purchase via federal exchange at <https://www.healthcare.gov/>
- o Or through a state exchange where offered

Health Insurance Marketplace

- Helps uninsured people find health coverage
- www.healthcare.gov will tell you if you qualify for lower cost based on household size and income
- Plans cover essential health benefits, pre-existing conditions, and preventive care
- If you don't qualify for lower cost plans, can still use the Marketplace to buy insurance at the standard price

Shared Responsibility Provision Requirements

- o Health care law requires people who can afford it to take responsibility for their own health insurance.
- o Each individual to have:
 - o Minimum essential health coverage for each month,
 - o May qualify for an exemption, or
 - o Make a payment when filing federal income tax return

Minimum Essential Coverage Provided Through:

- o Employer-sponsored (including COBRA & retirees coverage)
- o Coverage purchased in the individual market
- o Medicare Part A & Medicare Advantage plans
- o Most Medicaid coverage
- o Children's Health Insurance Program (CHIP)
- o Certain types of veteran's health coverage administered by Veterans Administration
- o TRICARE

Minimum Essential Coverage Provided Through: (cont.)

- o Coverage provided to Peace Corps volunteers
- o Coverage under the Non-appropriated Fund Health Benefit Program
- o Refugee Medical Assistance supported by the Administration for Children & Families
- o Self-funded health coverage offered to students by universities (begin by 12/31/2014)
- o State high risk pools for plan or policy years that begin on or before 12/31/2014

Minimum Essential Coverage (cont.)

- o DOES NOT INCLUDE:
 - o coverage providing only limited benefits such as coverage only for vision or dental, or
 - o Medicaid covering only certain benefits such as family planning, workers' comp, or disability policies

Exemptions from Minimum Essential Coverage

- Recognized religious sects conscientiously opposed to accepting insurance benefits
- Recognized health care sharing ministry
- Federally recognized Indian tribes
- No filing requirement: Income is below minimum threshold for filing a tax return
- Short coverage gap: You went without coverage for less than 3 consecutive months during the year

Exemptions from Minimum Essential Coverage (cont.)

- Hardship: Health Insurance Marketplace has certified you are unable to obtain coverage due to a hardship
- Unaffordable coverage options: amount you must pay for coverage is more than 8% of household income
- Incarceration
- Not lawfully present: not US citizen, US national, or alien lawfully present in US

Penalty for Failure to Maintain Required Coverage

- o If someone who can afford health insurance doesn't have coverage in 2014, they may have to pay a fee. They also have to pay for all of their health care.
- o Fee also called:
 - o Individual responsibility payment
 - o Individual mandate
 - o Penalty

Penalty for Failure to Maintain Required Coverage (cont.)

- o Individual penalty in 2014 calculated one of 2 ways – will pay whichever is higher:
 - o **Percentage of income amount** (1% of excess of yearly household income over applicable filing threshold) Maximum penalty is national average yearly premium for a bronze plan.
 - o **Flat dollar amount** (\$95 per person or \$47.50 per child under 18) Maximum penalty per family is \$285.

Increases in Penalties

- o In 2015: 2% of income or \$325 per an individual's tax return
- o In 2016 and later years: 2.5% of income or \$695 per an individual's tax return (adjusted for inflation)
- o If uninsured for just part of year, 1/12 of yearly penalty applies for each month uninsured (no penalty if uninsured less than 3 months)

Penalty Exemptions

- Individuals with a short coverage gap won't pay penalty for a month in which last day is included in a short coverage gap (< 3 mos.)
- Taxpayer that can show cost of premiums exceeds 8% of household income
- Enroll by March 31, 2014 won't have to pay the penalty for any month before coverage began

End of Open Enrollment

- o Open enrollment closes March 31, 2014
- o Coverage can't be purchased through the Marketplace until next annual enrollment unless you have a qualifying life event:
 - o Moving to a new state
 - o Certain changes in income
 - o Changes in family size (marry, divorce, baby)
- o To enroll late – must buy directly from health provider; not eligible to receive advance premium tax credit

IRS Collection Procedures

- o Amount of any penalty is payable with filer's tax return
- o Penalty can be used to offset current or future IRS refunds
- o Other IRS collection methods, including levies, are **not allowed**

Qualifying for Premium Reduction Tax Credit

- o Could be eligible for lower costs of premium based on income and household size
- o Generally, **will not** qualify if estimated 2014 income is **above:**
 - o \$45,960 for individual
 - o \$94,200 for family of 4
 - o \$126,360 for family of 6

Benchmark Plan

- o Metal tiers represent plan's share of the average member's expected total costs
 - o Bronze – 60%
 - o Silver – 70%
 - o Gold – 80%
 - o Platinum – 90%
- o For tax credit purposes benchmark plan = second-lowest-cost Silver plan available to taxpayer on the Exchange

Figuring Premium Tax Credit

- o Taxpayer's maximum annual credit equals:
 - o Annual premium for benchmark plan MINUS
 - o Taxpayer's expected contribution
- o Taxpayers with household income less than 400% of federal poverty limit, expected contribution is limited to a percentage of their income
- o Tax credit makes up difference between amount expected to pay & actual plan costs

Advance Payments of Premium Tax Credit

- o To reduce premium expenses during the year:
 - o Advance payment amount based on consumer's expected annual income as reported to the exchange
 - o Taxpayer may take all, some, or none of advanced payment amount
 - o Taxpayer must report any income changes during the year
 - o Payments flow directly to issuer of plan; consumer only pays the difference

Reconciling Advance Payment Tax Credit

- o If advance payments are less than taxpayer's total tax credit for year, taxpayer may use the difference to offset any outstanding tax or take excess as refund
- o If payments are greater than taxpayers total tax credit, taxpayer must repay excess amount received as an additional tax
 - o Limit on amount to be repaid if taxpayer's household income is less than 400% of federal poverty line

New Form 1095-A

- o Throughout year, Exchange reports to IRS the advance payments made on behalf of taxpayer
- o At year end, taxpayer will receive an annual statements of advance payment amounts made on their behalf on Form 1095-A

Other Info

- o Cost sharing benefits are available for eligible insured individuals
 - o Taxpayers who enrolls in a Silver-level plan through an Exchange, and
 - o Is expected to have household income between 100% and 250% of federal poverty limit, and
 - o Meets requirements to receive advance payment of the premium tax credit

Health Insurance Mandate for Employers

- o **Encourages** (but does not require) employers to provide some degree of coverage to employees & their dependents
- o **“Encouragement”**
 - o Additional taxes, or penalties (the employer shared responsibility payment) may be assessed on ***applicable large employers***
 - o Tax credit for certain qualified ***small employers***

Health Insurance Mandate for Employers (cont.)

- o For 2014 – no employer is “required” to offer coverage
- o Beginning 2015, employers that don’t offer coverage may pay additional tax if they:
 - o Have more than 50 FTE employees, **AND**
 - o Have at least 1 full-time employee who gets lower costs on their monthly premiums when buying in the Marketplace
 - o Employers with < 50 EEs not subject to this

Shared Responsibility Penalty

- o Penalty applies if:
 - o Large employer fails to offer *affordable* insurance to full-time employees that meet minimum essential coverage requirements, and
 - o A full-time employee receives a premium assistance credit
- o Penalty formula is:
 - o Number of FTEs minus 30 multiplied by \$167/month (\$2,000 per year) indexed for inflation

Dependent Defined

- o Employee's child who is under age 26
- o Child does not have to be a dependent for income tax purposes
- o For ACA, dependent does not include spouse

Employee Classifications

- o Full-time: employed at least 30 hrs/week
- o Full-time equivalent (FTE) determined by taking total hours of service for employees who are not full-time divided by 120
- o Variable (part-time) or seasonal employees (full or part-time) are exempt from shared responsibility penalty

Determining if Coverage is Affordable

- Considered affordable to an employee if the lowest cost of self-only coverage does not exceed 9.5% of EE's household income/year
- Employer not required to offer family coverage that does not exceed 9.5%
- Affordability safe harbor rules
 - Form W-2
 - Rate of pay
 - Federal poverty line

Penalty

- o For applicable large employers offering inadequate coverage or unaffordable
 - o \$250/month (\$3,000/year) for each full-time employee who receives premium assistance credit – adjusted for inflation
 - o Penalty cannot exceed amount of penalty for not offering coverage
 - o Employer can be held liable for either penalty in a particular month, but not both

Small Employer (SHOP) Marketplace

- o Small Business Health Options Program (SHOP) to simplify process of buying health insurance
 - o In 2014 helps employers with 50 or fewer FTEs shop for, choose, & offer to employees
 - o No later than Jan 1, 2016, will be available to employers with 100 or fewer FTEs
 - o If self-employed with no employees, cannot go through SHOP for health insurance

Benefits of Using SHOP

- o You control coverage you offer and how much you pay toward premiums
- o You may qualify for small business health care tax credit
 - o worth up to 50% of premium costs
 - o You can still deduct rest of premium costs not covered by tax credit
 - o For 2013 and earlier, credit is max of 35%

Who Can Use SHOP

- o Have principal business address within state where buying coverage
- o Have at least one common-law employee on payroll (not including business owner , sole proprietor, or their spouses if they're on the payroll)
- o Employ 50 or fewer FTE's (100 or fewer beginning 1/1/2016)
- o PDF doc with more info at HealthCare.gov