STATE OF ENROLLMENT™

Getting America Covered.

MAY 11-13
WASHINGTON D.C.

ACA & Taxes: Practical Tips and Tools

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ENROLL AMERICA | GET COVERED AMERICA

Agenda

- Common enrollment trouble spots and avoiding problems at tax filing
- Exemptions
- Working with tax preparers

Enrollment Trouble Spots

and Their Consequences at Reconciliation

1. Estimating Income
2. Errors in Household Composition
3. Failure to Recognize MEC

Estimating Income

Which risk is the enrollee most willing to bear?

If income estimate is too low…

- Income data matching issues
- Repayment

If income estimate is too high…

- Reduced APTC
- Potential inability to pay premiums

Estimating Income: Job-changers

Question: Do you think you'll have more than one job this year?

Ask:

- About income, by season (even if the applicant is not a "seasonal worker"). Many people pick up extra work during the summer or holidays.
- Are you in your employer's retirement plan? When you leave, will you cash it out?
- Do you anticipate being unemployed for any parts of the year? (ex. a nanny unemployed in August)
- Will you apply for unemployment compensation between jobs?
- How do you track your income?

For people with multiple jobs, give a detailed explanation of how and when to report a change in income!

Estimating Income: Retirees

Question: Are you retired or will you retire this year?

Ask:

- Do you have a pension?
- Do you collect social security benefits?
- Do you expect to withdraw money from an IRA or similar account?
- What are your earnings on savings or investment accounts?
- Will your retirement involve a “buy-out”?

Estimating Income: Self-employment

Question: Do you make money from your own business, work you're paid for in cash, or other "odd jobs"?

(Yes, you need to put this on your tax return.)

Ask:

- About income on a weekly, monthly or per job basis
- Will it be the same or different from your last tax return?
- Does your business have busy and slow periods?
- Do you ever need to hold a second job to make ends meet?
- What are your expenses?
- Do you have receipts or other documentation of earnings or expenses?

Estimating Income: Self-employment

- If there is a data matching inconsistency, discuss what information is necessary to explain:
  - The source of income
  - The income estimate
  - Why the estimate differs from the most recent tax year, and
  - Documentation to substantiate the income estimate.

Estimating Income: Other tricky situations

- **Lump sum income**
  - 401(k) (especially when a person leaves a job prior to retirement)
  - Social security disability determination
  - Death benefits (not inheritance)
  - Lottery winnings

- **Social security benefits**
  - Use the benefit amount prior to deducting Medicare Part A premiums
  - Check EDN to make sure all benefits were counted, especially if multiple people in the household have social security benefits

- **MAGI of dependents with a filing requirement**

Consequences of Inaccurate Income Estimates

- At tax filing, there is little a tax preparer can do if a person underestimated their income and received too much APTC, especially if income rose above 400% FPL.
- There are repayment caps in place for most people, but they are high

APTC REPAYMENT LIMITS for TY2016		
Income (as % of FPL)	Cap for SINGLE taxpayers ...	Cap for OTHER taxpayers ...
< 200%	$300	$600
200% but less than 300%	$750	$1,500
300% but less than 400%	$1,275	$2,550
400% and above	None	None

Consequences of Inaccurate Income Estimates

What assisters can do:

→ When in doubt, overestimate income (as long as it doesn't impact ability to pay premiums)

→ Anytime a person is over 300% FPL, explain the risk of full APTC repayment

→ Recommend taking 80-85% of allowed APTC instead of the full amount

→ Discuss change reporting. For people with variable income, consider setting up quarterly check-ins to help them make adjustments

→ Ask people to bring their next completed tax return to you, in case it changes some of their income

Errors in Household Composition: Filing Status

Is [Household contact] married?
- ○ **Yes**
- ○ **No**

SPECIAL CIRCUMSTANCES

Check YES if the applicant is married but…
The taxpayer has a pending divorce action. Projections related to marital status are not permitted.

Check NO if applicant is married but…
1. Will qualify for Head of Household filing status
2. Is a survivor of domestic abuse
3. Has been abandoned by a spouse

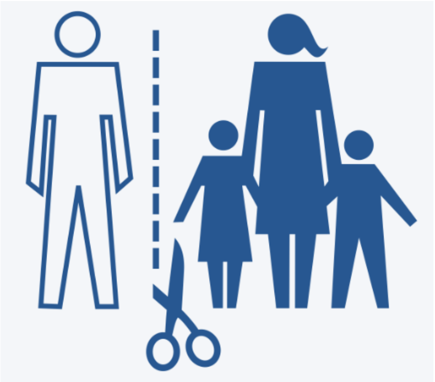
ASSISTERS TIP

When Can a Married Person File as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

Will you file taxes separately from your spouse in the year in which the premium tax credit is received?	☐ Yes	☐ No
Will you live separately from your spouse from July 1 to December 31 in that year?	☐ Yes	☐ No
Will you pay more than half of the cost of keeping up your home in that year?	☐ Yes	☐ No
Do you have a child, stepchild, or foster child (of any age) who lives with you for more than half the year?	☐ Yes	☐ No
Will either you or the child's other parent claim the child as a dependent?	☐ Yes	☐ No

If all answers are yes, the applicant is Head of Household and is considered unmarried. If the answer to any of these questions is No, the applicant cannot file as Head of Household.



Shared Policy Allocations

- Sometimes, household projections prove incorrect.
- If a Form 1095-A shows enrollees that are not on the taxpayer's return, it's a shared policy allocation.

Shared Policy Allocations
simplified rules

	DIVORCE	SEPARATION	SHIFTING ENROLLEE*
WHAT TO ALLOCATE	▪ Premiums paid ▪ Benchmark ▪ APTC	▪ Premiums ▪ APTC (Determine new benchmark)	▪ Premiums paid ▪ Benchmark ▪ APTC
HOW TO ALLOCATE	▪ Any percentage, by agreement ▪ 50/50, if no agreement	▪ 50/50, if no agreement	▪ Any percentage, by agreement ▪ Proportional, if no agreement

**Shifting enrollee*: When a person was included in one household at the time of enrollment but is in a different household (or their own household) at tax filing.

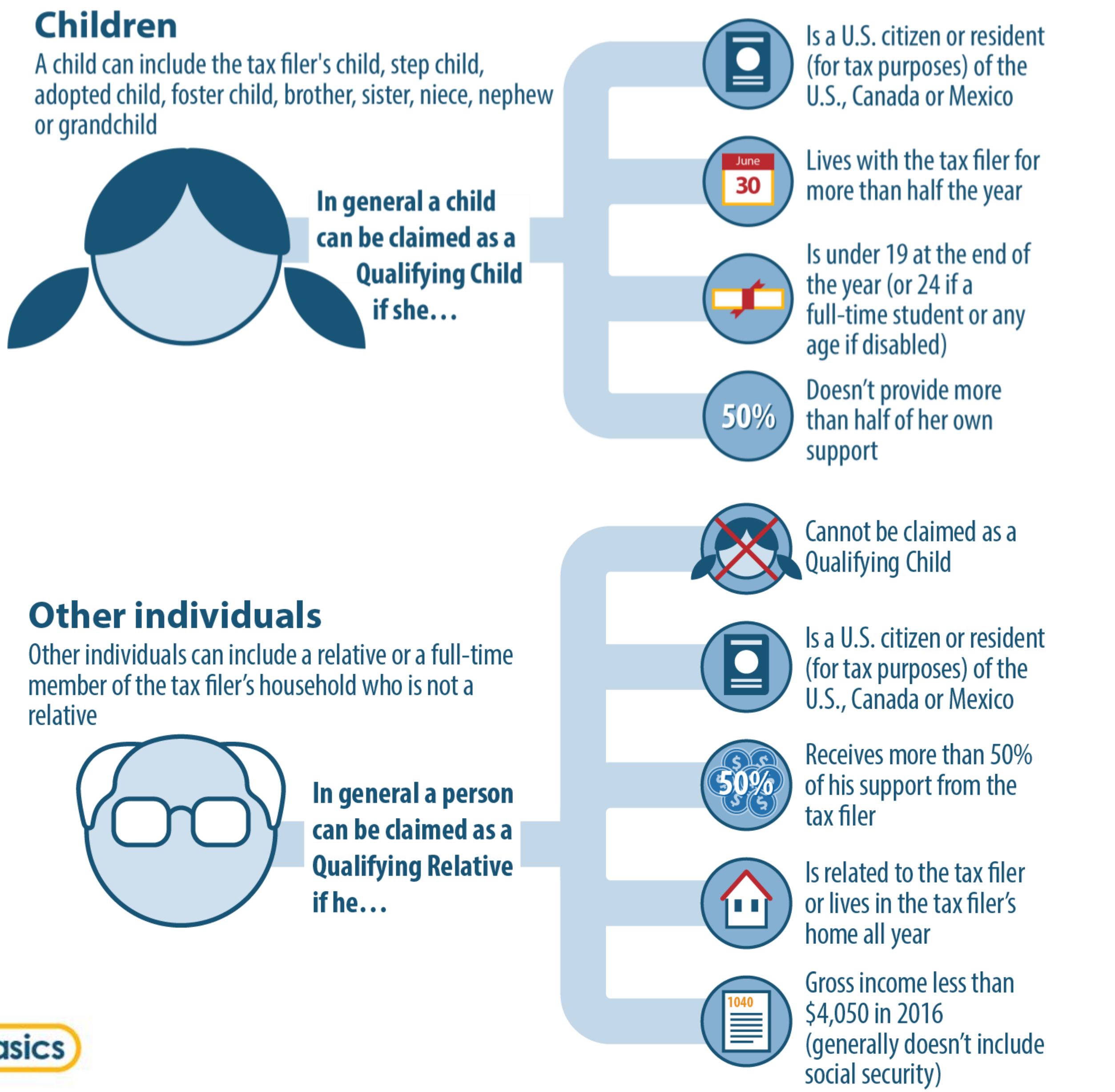
Errors in Household Composition – Tax Consequences

- Desmond and Missy are married and have a child, Jace. All three are eligible for and enroll in marketplace coverage and receive APTC.
- In June, Desmond moves out. He moves out-of-state to live with his brother. Desmond occasionally calls Jace, but he's mostly out of their lives. He doesn't bother to cancel his health insurance.
- On her tax return:
  - **What is Missy's filing status?** Head of household (assuming all tests are met). She's married but supporting her child who lives with her, and she has lived apart from her spouse for at least 6 months. She pays more than half of household support.
  - **Who will reconcile the APTC?**
    - Missy will reconcile half of the APTC. HoH is an eligible filing status.
    - Desmond will be married filing separately. He also must reconcile half of the APTC. He will repay the credit, up to the repayment cap.

Errors in Household Composition

Challenges:

- Older children (turning 19 or leaving college)
- Adult dependents, especially those who are unrelated
- Dependent parents



Errors in Household Composition – Tax Consequences

- Mary and Phil are married and earn $45,000 a year.
- They claim their son, Jordan, age 21, as a dependent.

In March, Jordan drops out of college and gets a job. He earns $12,000 this year and is no longer a dependent.

At enrollment:

Family size: 3 (224% FPL)

APTC: $650 per month

Silver plan cost: $272

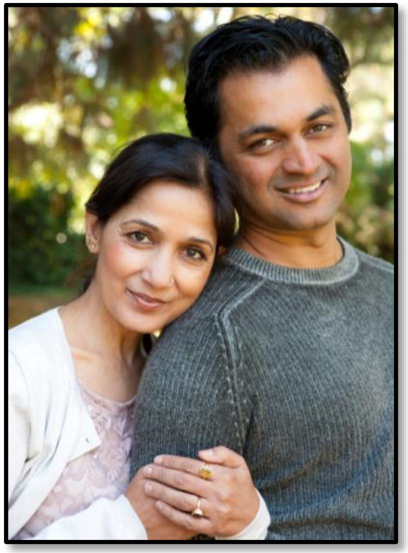
At tax filing:

Family size:

2 (Mary and Phil at 282% FPL);

1 (Jordan at 102% FPL)

Errors in Household Composition – Tax Consequences



- They receive Form 1095-A with all three family members listed.
  - Premiums: $11,064
  - Benchmark: $11,064
  - APTC: $7,800
- **Shared policy allocation:** Family can allocate the premium, benchmark and APTC in any way. The family will usually do best if the lowest-income tax filer claims the entire credit.

	Allocation of Premium, Benchmark and APTC					
	Jordan: 100%	Mary/Phil: 0%	Jordan: 33%	Mary/Phil: 67%	Jordan: 0%	Mary/Phil: 100%
Final PTC	$3,023	$0	$836	–$1,500	$0	–$854

Note: shared policy allocations are out of scope for VITATCE

Failure to Recognize Other MEC

- A person is ineligible for PTC if they are eligible for or enrolled in other MEC.
- A few special rules help with transitions between coverage.

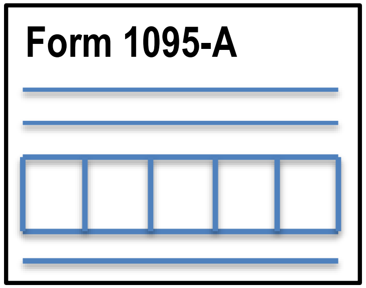
Is [applicant] enrolled in health coverage from any of the following?

- [Name of state Medicaid program]
- [Name of state CHIP program]
- Medicare
- TRICARE (Don't choose this if you have Direct Care or Line of Duty)
- VA health care program
- Peace Corps
- Individual insurance (non-group coverage)
- Marketplace health plan
- None of these

Is [applicant] currently eligible for health coverage through a job (even if it's through COBRA or from another person's job, like a spouse)? Select "Yes" if you could have enrolled in employer coverage for this year, even if the enrollment period for the employer coverage is over.

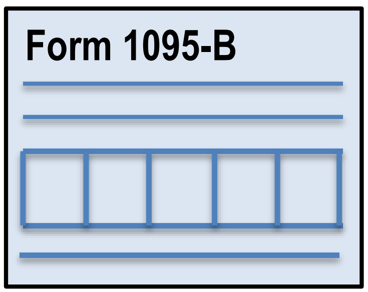
- Yes
- No

Forms 1095-A/B/C



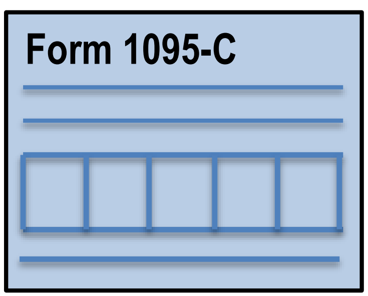
Form 1095-A

- Issued by the Marketplace to people who enrolled in Marketplace coverage.
- Necessary to prepare Form 8962, which is required for people who received Advance Premium Tax Credits
- Corrections? Call the Marketplace that issued the form



Form 1095-B

- Issued by Medicaid, Medicare, insurers, and others who offer coverage.
- Individuals with coverage should receive this form.
- Useful in determining the months a person had coverage.



Form 1095-C

- Issued only by large employers (employers with 50 or more full-time EEs)
- Useful in determining the months a person had coverage or an offer of coverage and the cost of the offer of coverage. (May be helpful to calculate the affordability exemption.)
- Serves a dual purpose in (1) confirming that a taxpayer had coverage and (2) helping IRS determine whether an employer owes a shared responsibility payment for failure to offer affordable coverage.

Failure to Recognize Other MEC – Medicaid

- **Transition rule:** A person who is receiving APTC and then is determined eligible for Medicaid can claim PTC:
  - Until the first day of the month following the Medicaid determination, and
  - For all retroactive coverage months.

- The enrollee must terminate coverage with the marketplace.
  - Issuers can demand 14 days' notice of termination, or they may terminate sooner.
    - This might mean that the issuer gets APTC for the following calendar month!
  - If only one member is being terminated, termination might be effective immediately.

Example

Regina enrolled in a QHP and received APTC beginning in January. In May, her work hours were reduced.

- **May 27:** She reported the change to the marketplace. Her EDN said she *may be* eligible for Medicaid.
- **July 11:** She received a notice saying she was eligible for Medicaid, retroactive to **May 1**.

- She will be eligible for PTC for Jan-July. She loses PTC eligibility on August 1. She needs to contact the marketplace to cancel her coverage.

Example

- But Regina doesn't contact the marketplace to terminate her QHP. She doesn't want Medicaid. She continues to pay her QHP premium.
- At tax time, she receives:
  - Form 1095-A indicating Marketplace coverage Jan–Dec.
  - Form 1095-B indicating Medicaid coverage May–Dec.
- Under the transition rule, she is eligible for PTC Jan–July and ineligible Aug–Dec.
- IRS has a new (transitional) generous interpretation of this rule. The taxpayer can follow the initial Marketplace determination for the duration of the coverage period. However, the marketplace may flag dual enrollment during periodic data matching and direct the consumer to disenroll in the QHP.

- This is meant for cleanup on the backend. Don't rely on this when enrolling clients.

Source: www.irs.gov/PUP/taxpros/best-_practices_resolving_1095_conflicts.pdf

Failure to Recognize Other MEC – Medicare

- A marketplace enrollee who becomes Medicare-eligible should transition to Medicare.
  - **It's beneficial in the long-run.** Failure to enroll upon eligibility means a late enrollment penalty for as long as you have Part B.
  - **APTC terminates.** APTC terminates on the first day of the fourth full month after the person becomes eligible for Medicare, if they fail to enroll.

Example: Freddie is enrolled in Marketplace coverage. His 65th birthday is May 17 and he is eligible to enroll in Medicare.

May	Jun	Jul	Aug	Sep →
Eligible for Medicare	Three full months			NOT eligible for PTC

If he continues in the marketplace all year:

- He'll owe back APTC for Sept–Dec.
- And when he enrolls in Medicare Part B, he'll pay a higher premium.

Failure to Recognize Other MEC – ESI

- Offers of employer-sponsored coverage are frequently missed, especially during re-enrollment.
- Employers are informed if an employee enrolls in a QHP and receives APTC because it may affect their own shared responsibility payment.
  - Expect an increasing number of eligibility challenges.
  - Use the Employer Coverage Tool, even during re-enrollment.

- **Employee safe harbor:** Employer coverage is treated as unaffordable (despite a Form 1095-C indicating affordable coverage) if:
  - The enrollee provides accurate information to the Marketplace about the cost of ESI, *and*
  - The marketplace determined that the enrollee was eligible for APTC because insurance was unaffordable based on the client's projected income.

Failure to Recognize Other MEC – ESI

- Sammie is offered health insurance at work.
- She reports the cost of coverage and the marketplace determined it was unaffordable.
- Sammie enrolls in marketplace coverage and receives APTC.
- At tax filing, she receives a Form 1095-C indicating she had affordable coverage.

Is Sammie required to repay her APTC?

- No, Sammie is protected by the safe harbor.

Failure to Recognize Other MEC – ESI

- Sammie is auto-renewed. She doesn't report her employer-sponsored coverage at all.
- Form 1095-C indicates affordable coverage.

Is Sammie required to repay her APTC?

- Yes, the safe harbor does NOT apply because Sammie didn't accurately report the cost of employer-sponsored coverage.

Remember:

- Employer coverage offers will be scrutinized because of the employer shared responsibility payment and program integrity concerns.
- Just because a person didn't face consequences in the past for failure to report or misreporting ESI doesn't mean they won't face consequences in the future.

Application Integrity

- Have an open discussion with staff/volunteers about what to do if you have a strong suspicion that a person is not being truthful on an application you are assisting with.
- Develop guidance or an "integrity sounding board" so volunteers know what to do when they feel uncomfortable assisting a client.

45 CFR 155.285 Bases and process for imposing civil penalties for provision of false or fraudulent information to an Exchange or improper use or disclosure of information

2.2.2 Recognizing Fraud

Use these examples to help you recognize potentially fraudulent situations:

- Consumers who purposely underreport their income or fail to report all sources of income.
- Consumers who purposely do not report an accurate level of tobacco use to attempt to change the cost of health coverage.
- Consumers who use another person's information to get health coverage through the Marketplace.
- An agent, broker, or assister falsifies information to mislead a consumer into joining a health plan.

https://marketplace.cms.gov/technical-assistance-resources/assister-sop-manual.pdf (see Fraud Prevention Guidelines)

Exemptions

Why apply for a Marketplace exemption?

Example: Carla

- Carla lives in Texas, a non-expansion state.
- She lost her job in November 2016 and asks about enrolling in health coverage in January 2017.
- She doesn't qualify for unemployment benefits and has no income right now.
- She feels uncomfortable guessing about her income for 2017 because she really doesn't know what it will be.
- An assister tells her about the exemptions that she appears eligible for to avoid penalty:
  - She is in the Medicaid coverage gap
  - Based on her low projected income, insurance is likely unaffordable

Why apply for a Marketplace exemption?

Example: Carla

- In May, she gets a job and earns $16k for the year.
- She remains uninsured for the year
- At tax filing, Carla doesn't qualify for any IRS exemptions:
  - ✘ Her income is above the filing threshold
  - ✘ Based on year-end income, insurance is affordable (even for the months she had no income!)
  - ✘ Her income is greater than 138% FPL
  - ✘ No other exemption applies
- Carla missed her chance at an exemption! She owes $700+ in SRP.

Lesson: Be proactive with exemptions. If a person qualifies for an exemption early in the year, help them claim it because it may not be available to them at tax filing!

Types of Exemptions

At the time of application, consider eligibility for exemptions that **may be forfeited if circumstances change:**

- Medicaid coverage gap exemption
- Affordability exemption

NO

Does any individual qualify for an exemption available on the tax return?

Exemption Type	IRS Code
Income below the filing threshold	No Code
Insurance is unaffordable	Code A
Short coverage gap	Code B
Certain noncitizens and citizens living abroad	Code C
Health care sharing ministry	Code D
Federally-recognized Indian tribe or eligible for IHS	Code E
Incarceration	Code F
Aggregate cost of insurance is unaffordable	Code G
Individuals in a state that did not expand Medicaid	Code G
Months before birth/adoption or after death	Code H

NO

Does anyone qualify for a hardship exemption granted by the Marketplace?

Marketplace Exemptions: Hardship

Hardship Exemptions Granted by the Marketplace	Duration
Financial or domestic circumstances • Homelessness • Eviction in the last 6 months or facing eviction or foreclosure • Utility shut-off notice • Bankruptcy • Domestic violence • Recent death of family member • Disaster that resulted in significant property damage • Debt from medical expenses • High expenses caring for ill, disabled or aging relative • Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP • Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled • Individual health insurance plan was cancelled and Marketplace plans are considered unaffordable • Other hardship in obtaining coverage	At least one month before and one month after hardship **When To Apply?** Up to 3 years after the month of the hardship *Note: Documentation is required in most circumstances so earlier is better*

Affordability

The definition of affordability for marketplace enrollment is different from the definition of affordability for an exemption.

Eligibility for APTC
despite an offer of employer-sponsored coverage

9.66% (for 2016)

Non-taxed social security included in household income

Family glitch

Eligibility for Exemption
in the Marketplace or on the tax return

8.13% (for 2016)

Non-taxed social security is NOT included in household income

For family members, determined based on family cost

Marketplace Exemptions: Affordability

<table>
<tr><th>Hardship Exemptions Granted by the Marketplace</th><th>Duration</th></tr>
<tr><td rowspan="3">

Lack of affordable coverage based on <u>projected</u> income (>8.13% of household income for 2016)

What is considered unaffordable coverage?

If eligible for an offer of ESI:

- <u>For the employee</u>: the lowest cost self-only plan costs more than 8.13% of household income
- <u>For members of the employee's family</u>: the lowest cost family plan costs more than 8.13% of household income.

If not eligible for an offer of ESI:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer's family costs more than 8.13% of household income

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Future months in the year. To be exempt for the entire year, apply before the year starts.

Special rule: *Applies regardless of change in circumstances*

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<tr><td>When To Apply?</td></tr>
<tr><td>Apply during open enrollment or during a special enrollment period</td></tr>
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Example: Affordability Exemption

Teresa, Antonio, Gaby and Michael

- Teresa's employer offers ESI for herself and her children
- She is still in her employer's open enrollment period and visits an assister to learn if the marketplace has better options.
- You interview Teresa to determine her eligibility for marketplace coverage.

Projected household income: $49,000
Employee-only premium: $196/mo
(4.9% of income)
Employee + children premium: $392/mo
(9.9% of income)
No spousal coverage is offered

Eligibility Determination Notice

- Teresa is not eligible for PTC
- The children are not eligible for Medicaid, CHIP or PTC
- Antonio is eligible for PTC

Teresa is frustrated that she can't enroll her family in a single plan. She asks:
What happens if we don't enroll?

Affordability Test: An employee with an offer of ESI

Summary of Household Income and Plan Costs	
Household income:	$47,700
Employee-only premium cost:	$196/month
Employee + children premium cost:	$392/month
Spousal coverage:	None

Is Teresa eligible for an exemption based on affordability?

Does the lowest-cost plan that covers only the employee cost more than 8.13% of household income?

- No, the lowest cost employee-only plan is 4.9% of income
- The plan is considered affordable

x **Not eligible for exemption based on affordability**

Affordability Test: Family members with an offer of ESI

Summary of Household Income and Plan Costs	
Household income:	$47,700
Employee-only premium cost:	$196/month
Employee + children premium cost:	$392/month
Spousal coverage:	None

Are Gaby and Michael eligible for an exemption based on affordability?

Does the lowest-cost plan that covers Gaby and Michael cost more than 8.13% of household income?

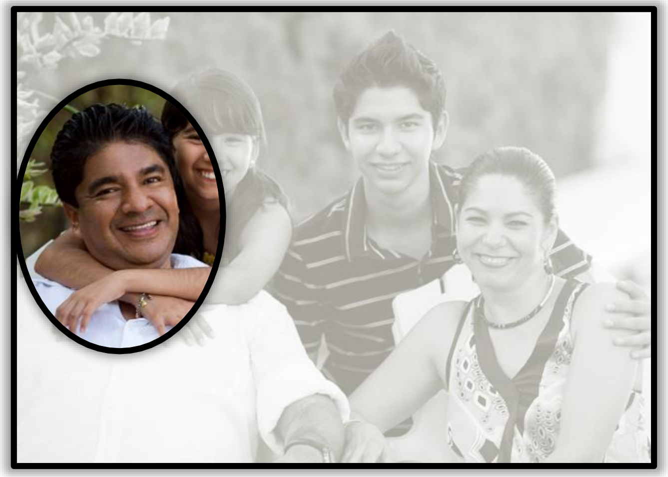
- Yes, the lowest cost plan that covers the children is 9.9% of income
- It is considered unaffordable

✓ **Eligible for exemptions based on affordability**

What about Medicaid or CHIP?
The children's eligibility for Medicaid or CHIP is not taken into account in awarding this exemption.

Affordability Test: No offer of ESI

Summary of Household Income and Plan Costs	
Household income:	$47,700
Employee-only premium cost:	$196/month
Employee + children premium cost:	$392/month
Spousal coverage:	None



Is Antonio eligible for an exemption based on affordability?

Does the lowest-cost bronze plan covering only Antonio in the Marketplace, after accounting for PTCs, cost more than 8.13% of household income?

- The lowest cost bronze plan available to him is $2,000 (4% of household income) after taking into account PTCs
- The plan is considered affordable

x **Not eligible for exemption based on affordability**

Example: Affordability Exemption

What are the health care options for the family?

Family Member	Eligible for PTC?	Eligible for exemption?
Teresa	✗	✗
Antonio	✓	✗
Gaby	✗	✓
Michael	✗	✓

Marketplace Exemptions: Coverage Gap

Hardship Exemptions Granted by the Marketplace	Duration
Ineligible for Medicaid based on state decision not to expand (i.e., in the "coverage gap") • Exemption for people with income up to 138% FPL • Applies even though people between 100 and 138% FPL may be eligible for PTCs	Entire year **When To Apply?** Apply for Medicaid at any time

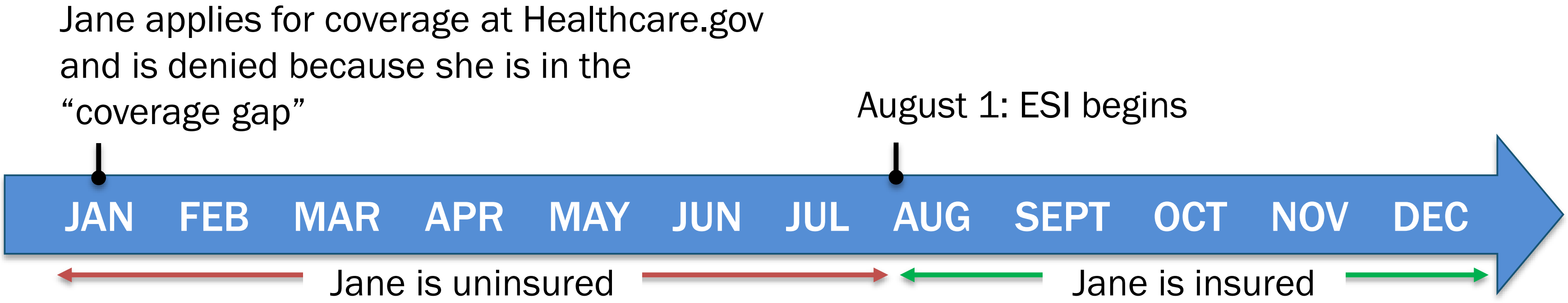
Exemption is automatic if ALL are true:	APPLY for an exemption if EITHER are true:
• Submitted an application via Healthcare.gov • Were determined/assessed to be ineligible for Medicaid due to the state's decision not to expand • Have income under 100% FPL	• Have income between 100-138% FPL on Healthcare.gov application and were determined/assessed to be ineligible for Medicaid • Received a determination directly from your state Medicaid office

Example: Medicaid Coverage Gap Exemption

Jane

- Jane is unemployed until she gets a job that offers ESI
- **Monthly income (Aug–Dec):** $2,200 (225% FPL)
- **Annual Income:** $11,000 (93% FPL)
- **Residence:** Texas

Scenario 1: Jane applies for coverage



✓ Automatically receives exemption for the year because she applied for Medicaid and received a denial and an ECN.

✓ OR she can claim the Code G exemption on her tax return.

Example: Medicaid Coverage Gap Exemption

Jane

- Jane is unemployed until she gets a job that offers ESI
- **Monthly income (May–Dec):** $2,200 (225% FPL)
- **Annual Income:** $17,600 (148% FPL)
- **Residence:** Texas

Scenario 2: Jane applies for coverage

Jane applies for coverage at Healthcare.gov and is denied because she is in the "coverage gap"

May 1: ESI begins

JAN FEB MAR APR MAY JUN JUL AUG SEPT OCT NOV DEC

Jane is uninsured

Jane is insured

- ✓ Automatically receives exemption for the year because she applied for Medicaid and received a denial.
- ✓ CANNOT claim the Code G exemption on her tax return.

An Assister's Role in Obtaining Exemptions

For a client that doesn't enroll in coverage, ask:

What can I do today to secure an exemption for this person?

- The marketplace affordability exemption is useful when:
  - Members of the household are subject to the family glitch
  - Applicant's self-only ESI is at least 8.13% of income but less than 9.66% (2016)
  - Applicant's self-only ESI appears affordable because of the addition of non-taxed Social Security benefits
  - Applicant is between jobs and has difficulty predicting annual income
  - A person wants to enroll in catastrophic coverage

- The Medicaid coverage gap exemption is useful when:
  - A person is in the coverage gap, especially if their income may change during the year

Exemptions on the Tax Return

IRS Exemption Type	Code
Income below the filing threshold	n/a
Insurance is considered unaffordable *Minimum premium would have cost more than 8.13% of household income*	A
Short coverage gap *Uninsured for less than 3 consecutive months*	B
Citizens living abroad and certain noncitizens *Includes people who are not lawfully present*	C
Members of a health care sharing ministry	D
Members of an Indian tribe or eligible for services through an Indian health care provider or the Indian Health Service	E
Incarceration	F
Aggregate self-only coverage is considered unaffordable *Total cost of two or more family members' aggregate self-only coverage is more than 8.13% of household income*	G
Resident of a state that did not expand Medicaid	G
Member of the tax household born, adopted or died	H

Income Below Filing Threshold

Exemption available directly on the tax return for:

- Household income below filing threshold
  - Does not include untaxed Social Security benefits
- Gross income is below the filing threshold
  - Does not include MAGI of a dependent with a filing requirement

Tax Filing Status (under age 65)	Tax Filing Threshold (2015)
Single	$10,350
Head of Household	$13,350
Married Filing Jointly	$20,700
Married Filing Separately	$4,050
Qualifying Widow(er) w/ Dependent Child	$16,650

- **Covers the entire household for the entire year**

Example: Income Below Filing Threshold

Gloria

- Gloria works several odd jobs over the year and makes $12,000.
- She and her children remained uninsured all year.
- She wants to file a tax return in order to receive a tax refund (from her withholding and to claim the EITC), but doesn't want to pay a penalty for remaining uninsured for the year.

- Because her income is below the filing threshold (she files as Head of Household), she can check a box on her tax return to claim this exemption for the entire year for her entire family.

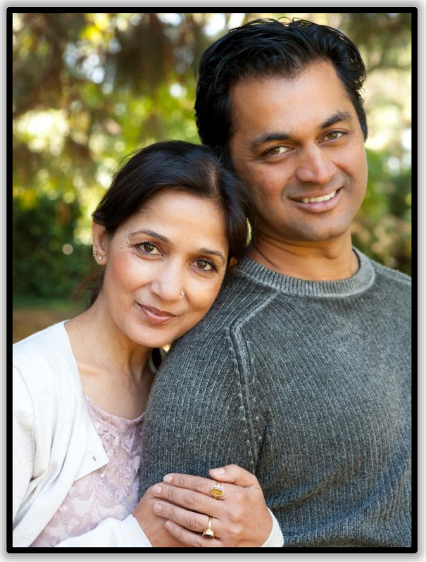
- *Note: If she does not file a tax return, she is automatically exempt since she earned less than the filing threshold. There is no need to file a tax return just to claim this exemption.*

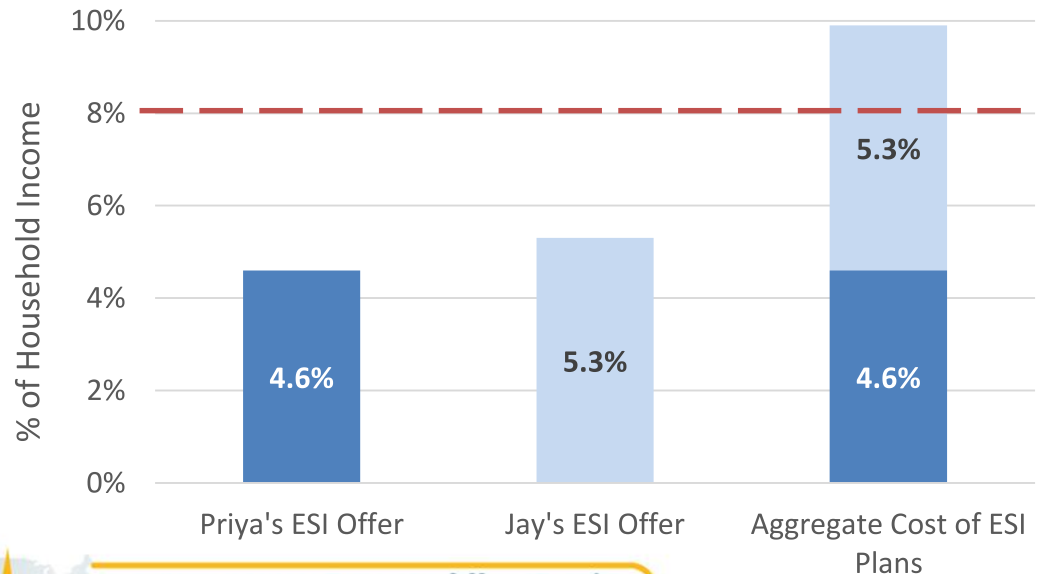
Example: Aggregate Cost of ESI

Jay and Priya

- Jay and Priya each have offers of self-only ESI from their employers but no affordable offer of family coverage
- **Household Income:** $45,000
- Premium cost for Jay: $2,400/year
- Premium cost for Priya: $2,100/year
- Aggregate cost: $4,500/year

Are Jay and Priya eligible for an exemption?





✓ YES, eligible for an exemption based on affordability because the aggregate cost of the two offers of ESI is more than 8.13% of income

IRS Exemptions: Short Coverage Gap

Short coverage gap *(Code B)*

- **A coverage gap of less than 3 months (so, 1 or 2 months).** If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.

→ But remember that a person is considered to have coverage for the entire month if they have coverage for one day in the month.

→ *Example 1:* If Bob is uninsured January 20 to April 15, the exemption *does* apply. He is considered insured in January and April so there are only 2 months in the gap.

NOTE: There is a look-back but no look-forward. Consecutive uninsured months at the end of 2015 count toward a gap at the start of 2016; uninsured months in 2017 do not.

- *Example 2:* If Bob is uninsured Dec 2015, Jan and Feb 2016, he doesn't qualify for this exemption because the gap is not less than 3 months
- *Example 3:* If Bob is uninsured starting in December 2016 and is still uninsured when he is filing his taxes in March 2017, he can claim this exemption for December

Key Takeaways for OE4

- Ask income questions many times, in a variety of ways. For people who are self-employed or have multiple jobs, explain change reporting and recommend income tracking.
- Erroneous income estimations are harder to fix at tax filing than household changes.
- Understand exceptions to the joint filing requirement
- Always look for signs of other MEC, including at re-enrollment. Just because a person “got away with” not reporting another offer of (or enrollment in) coverage doesn’t mean they won’t face coverage termination or reconciliation problems now.
- Be as aggressive about applying for exemptions as you are about applying for coverage. It’s work, but exemption eligibility can easily be lost through the year.

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For more information and resources, please visit:

www.healthreformbeyondthebasics.org

This is a project of the Center on Budget and Policy Priorities, www.cbpp.org