FAQ: American Rescue Plan Premium Tax Credit Provisions

The American Rescue Plan significantly increases the amount of the premium tax credit (PTC) people can receive, across the board, ensures that eligible enrollees with income below 150% of the federal poverty level (FPL) can receive a zero-premium "benchmark" plan, and extends PTC eligibility to people with income over 400% FPL so they don't pay premiums higher than 8.5% of household income. The Rescue Plan also provides generous new subsidies to people who are approved for or receive unemployment benefits in 2021, fully subsidizes COBRA from April 1 to September 30, 2021, and eliminates PTC repayment for 2020.

Below are frequently asked questions about these benefits. Unless noted, all answers apply to both the federal marketplace (HealthCare.gov) and the state-based marketplaces.

How the Enhanced PTC Works

1. **Who benefits from the lower premiums?**

   Virtually everyone who is eligible for PTC will see higher PTC and lower premiums. Enrollees with income below 150% FPL will be eligible a zero-premium "benchmark" plan and people with income over 400% FPL will be newly eligible for PTC, so they don't pay premium amounts higher than 8.5% of household income for a benchmark plan.

2. **How do enrollees get their lower premium?**

   Enrollees at HealthCare.gov must return to their application starting April 1 to see up-front premium reductions. Otherwise, they can claim a higher premium tax credit on their 2021 tax return.

   The enrollee should return to their HealthCare.gov application, select "report a life change," then report a change in income (even if their income hasn't changed). Page through the application and make sure everything is accurate, then submit the application to receive a new eligibility determination with the updated PTC amount. Then either confirm the current plan or choose a new plan. (If changing to a new plan, bear in mind that the enrollee might lose credit for money paid toward their deductible. Check with the insurer to be certain.)

   If the consumer is enrolled through a state-based marketplace, check the rules in your state. Some apply the premium discount automatically or have another implementation timeline.

3. **What's the earliest the new PTC can be reflected in premiums?**

   A consumer at HealthCare.gov who enrolls or updates their application and selects a plan between April 1 and April 30 will see their new premium discounts on their May bill. Remember that the effective dates are accelerated during this enrollment period: coverage is effective on the first day of the following month, no matter when someone applies during the month.

4. **Is someone with income over 400% FPL eligible for PTC?**

   Yes, assuming all other rules for PTC eligibility are met. For example, an enrollee must plan to file a tax return, cannot be married filing separately, and cannot have an offer of affordable employer-sponsored coverage. But if the only thing that barred someone from receiving PTC in the past was their income, they may be newly eligible for PTC.

5. **Is there a maximum income limit at which PTC cuts off?**

   No, there is no maximum income limit. But the PTC does naturally phase out, since someone with a high income, who is younger, or who lives in a lower-premium area may already have a benchmark premium that costs less than 8.5% of household income.

6. **Does the 8.5% cap on premiums apply to the whole family?**

   Yes, for people with income over 400% FPL, the 8.5% premium cap covers the entire family, just as people with income below 400% FPL have premiums for the entire family capped by a percentage of their income.

7. **If an enrollee had an income data matching issue (DMI) when they initially enrolled, and now they revisit their application to get the premium discount, will they need to clear the same DMI again?**

   No. An enrollee that cleared a DMI for 2021 and has the same income as previously verified will not generate a new DMI. However, if the enrollee makes income changes in their application, a new DMI might be generated, requiring documentation to resolve.

8. **If someone is offered affordable employer-sponsored coverage or files taxes as married filing separately, can they get the premium reduction even though they weren't previously eligible for PTC?**

   No. Those PTC rules remain the same. Married people who file separately (except in cases of spousal abuse or abandonment), people who declare they will not file a tax return, and families with an affordable offer of employer-sponsored coverage are still barred from receiving PTC.

9. **Does the affordability threshold for employer-sponsored coverage also fall from 9.83% of income to 8.5% of income?**

   No, the employer affordability threshold hasn't changed. A family is considered to have an affordable offer of employer-sponsored coverage if the premium for employee-only coverage is less than 9.83% of household income.

10. **Can an existing enrollee update their application to increase PTC after the HealthCare.gov special enrollment period ends August 15th?**

    Yes. After the end of the special enrollment period on August 15, a person can get their lower premiums by reporting a change in income (even if income is the same), but they won't be able to change plans unless they qualify for a different special enrollment period, such as for losing job-based health coverage. (If you are enrolled through a state-based marketplace, check the special enrollment period dates and rules in your state.)

11. **Is the new advance child tax credit, starting this year, considered income that must be reported to the marketplace as cash assistance?**

    No. The American Rescue Plan increases the child tax credit and makes it available in advance. The child tax credit, including the portion provided in advance, is excluded from income and so does not affect eligibility for financial assistance.

12. **Are unemployment benefits counted as income?**

    Yes. All unemployment benefits are income that should be included on marketplace applications. Some portion of income (federal pandemic unemployment compensation, or FPUC) is excluded for Medicaid purposes but included in the calculation of income for PTC. However, HealthCare.gov will subtract FPUC behind the scenes for the Medicaid calculation. Include this income in all cases. (ARP excluded up to $10,200 in unemployment compensation from income for tax year 2020, but that rule does not apply to other years and so does not affect projected income for PTC purposes in 2021.)

How the Enhanced PTC Works

13. **Is the stimulus payment included as income on the marketplace application?**

    No. Stimulus payments are not income and should not be included.

14. **Does this change the rule that determines the affordability of family employer-sponsored coverage by the employee-only premium ("family glitch")?**

    No. Fixing the family glitch would require a legislative or regulatory change.

15. **Will HealthCare.gov communicate with consumers on what they need to do?**

    HealthCare.gov will reach out to existing enrollees on a regular basis and is investing $100 million in outreach and marketing to explain the lower premiums to existing and new enrollees.

Marketplace Subsidies for People Approved for Unemployment Benefits

1. **What is the new benefit for someone who is approved for unemployment benefits?**

   People who receive, or are approved to receive, unemployment benefits for any length of time in 2021 will effectively have their income counted as no higher than 133% FPL for the entire year in calculating the PTC (including at reconciliation) and the cost-sharing reduction level. This makes them eligible for a zero-premium benchmark plan, after PTC, and the maximum cost-sharing reductions for the entire year. Actual income is still used to determine the affordability of employer-sponsored coverage and for Medicaid and CHIP eligibility.

2. **When can consumers get this new benefit?**

   This functionality is scheduled to be live in HealthCare.gov in early July to provide the enhanced PTC and cost-sharing reductions going forward. For earlier months, the enhanced PTC can be claimed at tax filing. (Check with your state-based marketplace for their implementation timeline.)

3. **Will a person who is otherwise eligible for Medicaid have a choice between PTC and Medicaid?**

   No. As with the normal eligibility determination, people will first be assessed for Medicaid eligibility, then for PTC eligibility. The Medicaid assessment is based on actual income and, if the applicant is ineligible for Medicaid/CHIP, the PTC assessment will be based on income of 133% FPL. So, for example, take a family of 4 with income of $39,000 (about 150% FPL). Enter all income on the application. The children are determined eligible for Medicaid or CHIP based on a family income of $39,000, while the parents will likely be ineligible for Medicaid because their actual income is too high. The parents will be assessed for PTC eligibility with an income of 133% FPL.

4. **How do you estimate yearly income for people receiving unemployment benefits?**

   People should estimate their income, including income from unemployment benefits, as best as possible and update their application when their income changes. Accurate entry of unemployment benefits is necessary to get an accurate Medicaid/CHIP eligibility determination.

5. **Is there a minimum dollar amount or time period a client must receive unemployment benefits to qualify?**

   No. The special PTC enhancement applies to consumers who receive, or are approved for, any amount of unemployment benefits at any point during 2021, for any amount of time.

6. **If someone has unemployment benefits, does the enhanced PTC go back to January 1, 2021?**

   All of the PTC enhancements, including those for people who received unemployment benefits, will be calculated in the HealthCare.gov application on a prospective basis, but the consumer will get the additional PTC on their tax return for every month the consumer was enrolled in 2021. Cost-sharing cannot be reduced after the fact. (Some state-based marketplaces are increasing monthly PTC going forward to make up for earlier months. Contact your Marketplace for more information.)

7. **When the unemployment benefit provision is implemented in the summer, what will happen to people who now have a new variant of their silver plan but had already fulfilled their higher deductible?**

   A consumer won't get money back if they've already paid more toward their deductible than required under their new lower deductible plan, but if they remain enrolled in the same plan, the excess amount paid toward their deductible, and any other cost-sharing paid, should count toward their out-of-pocket maximum. Federal rules require marketplace insurers to keep track of annual cost-sharing spending (toward the deductible and out-of-pocket maximum) and credit enrollees who remain in that plan for the year, even if the enrollee's eligibility for cost-sharing help changes and they are enrolled in a different version of the same silver plan (with a higher or lower value). Some insurers may credit enrollees for their out-of-pocket costs if they change to a different plan from the same company. Check with the insurer to be sure.

8. **Will this coverage provision apply to people who had unemployment benefits in 2020 but not 2021?**

   No, the PTC enhancement only applies to people who are approved for or received unemployment benefits in 2021.

9. **How does this provision affect people with income below the poverty line in states that didn't expand Medicaid (who are in the "coverage gap")?**

   People in the coverage gap will be newly eligible for PTC and cost-sharing reductions if one member is approved for or receives unemployment benefits at any point in 2021. The household will effectively be deemed as having income above the poverty line. (Since eligibility for Medicaid/CHIP is still determined based on actual income, most children in those families will be eligible for Medicaid instead.)

10. **In a state that didn't expand Medicaid, should people who are approved for unemployment benefits, but are currently in the coverage gap, wait until early July to enroll, after HealthCare.gov is updated?**

    Consumers should enroll as soon as they can afford the premium to have the benefits and security of insurance coverage, then enroll with PTC when HealthCare.gov is updated. Many consumers in the coverage gap who are currently ineligible for PTC may not be able to afford the premium right now. If that's the case, they should enroll when the HealthCare.gov application is updated to account for the unemployment benefit provision in early July.

11. **What should someone do if they receive unemployment benefits and will eventually be eligible for a zero-premium silver plan but cannot pay the premium until the change is made?**

    Most consumers who complete an application or revisit their existing application (except people in the Medicaid coverage gap) will be eligible for lower premiums under other provisions of the American Rescue Plan. They can then come back to their application sometime in early July to get the further discounts due to their approval for unemployment benefits. The rules for premium payment deadlines and grace periods still apply.

Marketplace Subsidies for People Approved for Unemployment Benefits

12. **Would someone who receives unemployment benefits in 2021, but then gets a job with employer-based coverage, still be eligible for PTC?**

    No. A person is not eligible for PTC in the months they are eligible for employer-sponsored insurance that is considered affordable (i.e., costs less than 9.83% of income for employee-only coverage). However, the person would be eligible for PTC in the months in which they were enrolled in marketplace coverage but not eligible for employer-sponsored coverage.

13. **If someone is offered affordable employer-sponsored coverage, is their spouse, who receives unemployment benefits, still eligible for a zero-premium plan in the Marketplace?**

    The usual rules on affordable employer coverage offers apply. If the consumer's employer-sponsored coverage is affordable for the employee, and coverage is also offered to the spouse, the spouse cannot get PTC. (This is known as the "family glitch.") However, a spouse not offered the employer coverage could receive PTC in the marketplace. (The employee with affordable employer-sponsored coverage would still be barred from receiving PTC.)

14. **Will the entire household be eligible for a zero-premium benchmark plan if one taxpayer receives unemployment benefits in 2021?**

    Yes, assuming the other rules to claim PTC are met.

15. **Can people who receive unemployment benefits newly enroll or change plans this summer when the changes are implemented in HealthCare.gov?**

    Yes, as long as they come back to their application before the special enrollment period ends August 15. (Check with your state-based marketplace for their special enrollment period dates and implementation timeline.)

2020 PTC Repayment Relief

1. **Who is eligible for PTC repayment forgiveness?**

   PTC repayment will be forgiven for people who owe back all or a portion of their advance PTC on their 2020 tax return (the tax returns consumers are filing right now). This applies no matter the reason for repayment, including if someone was ineligible for the credit due to being married filing separately or had income above 400% FPL.

2. **How does the repayment forgiveness work?**

   The IRS has instructed [link] enrollees who calculate that they owe back a portion of their advance PTC to exclude Form 8962 from their tax return. (Tax software vendors will soon implement this change.) People who can receive additional PTC should submit this form to get the extra money they are owed. People who have already filed will still get this tax relief, but the IRS hasn't yet said how.

3. **Will repayment forgiveness apply for 2021 tax returns?**

   No. This applies only to 2020 tax returns and does not apply for the 2021 plan year. It's important that enrollees update their projected income throughout the year, especially if they have income increases, to make sure they don't owe back advance PTC when they file their 2021 taxes.

2020 PTC Repayment Relief

4. **Are there repayment caps for people with income over 400% FPL?**

   No, there is no cap on repayment for people whose income is over 400% FPL. However, the expansion of the subsidy in 2021 and 2022 eliminates the hard cliff people previously faced when their income was projected to be below 400% FPL but then turned out to be higher. For example, let's say a 50-year-old with a projected income of $50,000 (392% FPL) receives a $3,400 advance PTC, but their income turned out to be $53,000 (415% FPL). Previously, they would have repaid their entire $3,400 credit. Now, since they are still PTC-eligible despite having income over 400% FPL, they'd owe back only about $350.

5. **I've heard that a portion of unemployment benefits will not be taxed. How does that affect the PTC?**

   The American Rescue Plan excludes the first $10,200 of unemployment benefits from tax in 2020. Because this reduces adjusted gross income, it will also raise the amount of PTC someone qualifies for. This is on the 2020 tax return only. Do not subtract any portion of unemployment benefits from countable income for 2021.

Special Enrollment Period

1. **Can someone still enroll or change plans after the HealthCare.gov SEP ends?**

   After August 15, the standard special enrollment period rules are scheduled to apply. A current enrollee can return to their plan to receive the increased PTC but cannot change plans unless they qualify for a special enrollment period due to a life event, such as getting married or having a baby. (Check your state's rules if the enrollee is in a state-based marketplace.)

2. **When a consumer re-enrolls, will they get credit toward their deductible and out-of-pocket maximum for prior out-of-pocket spending?**

   It depends.

   - An enrollee who remains in the same plan will receive credit for the out-of-pocket expenses they've already paid in 2021.
   - An enrollee who switches to a different cost-sharing reduction variant of the same plan (i.e., from a 73% CSR to an 87% CSR) should get credit under federal rules. Contact the insurer if there is an issue.
   - If the consumer switches to a different plan with the same insurer, the cost-sharing is less likely to apply, but check with the insurer.
   - If the consumer switches to a new insurer, they won't get credit for prior cost-sharing.

   Even if a consumer does get credit for prior cost-sharing, any excess amount paid toward the cost-sharing is not refunded. For example, if a person pays $1,000 toward a $3,000 deductible for their silver plan, then becomes eligible for a higher cost-sharing reduction with a deductible of $300, the enrollee will not get a $700 refund. But the full $1,000 will be applied to their out-of-pocket maximum for the year.