

## THE AFFORDABLE CARE ACT Frequently Asked Questions

We are providing basic information on the ACA in order for you to best prepare for your tax appointment. While we strive to give you complete and accurate information, this should by no means be taken as absolute law. Each family's situation will be different. After reading this, please ask any questions that you may have by email to [info@protaxassociates.com](mailto:info@protaxassociates.com).

### **Basic Information**

#### **1) What is the individual shared responsibility provision?**

Under the Affordable Care Act, governments, insurers, employers and individuals will share in the responsibility to improve our health care insurance coverage. Starting in 2014, each individual, with some exceptions, will need to have minimum essential coverage for each month, or make a payment when filing your federal income tax return.

#### **2) Who is subject to the individual shared responsibility provision?**

It applies to individuals of all ages, including children. An adult or married couple who can claim a dependent is responsible for making the payment if that person does not have coverage.

#### **3) What counts as minimum essential coverage?**

Minimum essential coverage includes the following:

- Employer sponsored and retiree coverage
- Coverage purchased in the individual market, including the Health Insurance Marketplace
- Medicare Part A coverage and Medicare Advantage plans
- Most Medi-Cal/Medicaid coverage
- Other coverage recognized by the Department of Health and Human Services

Please describe your coverage to us so that we may research it ahead of your tax appointment.

Minimum essential coverage does not include coverage providing only limited benefits, such as the following:

- Coverage consisting solely of excepted benefits, such as:
  - Stand-alone vision or dental care
  - Workers' compensation

- Accident or disability policies
- Medi-Cal providing only family planning services, only emergency treatment, only pregnancy-related coverage

You can also go to [www.coveredca.com](http://www.coveredca.com) to make sure you have the minimum coverage.

#### **4) What are some of the exemptions from the requirement to obtain health insurance?**

1. Religious conscience. You are a member of a religious sect that is recognized as conscientiously opposed to accepting any insurance benefits.
2. Indian tribes. You are a member of a federally recognized Indian tribe, or an individual that has coverage through an Indian care provider.
3. Your income is below the income tax filing requirement. See the chart below to see if you qualify. Any questions, just ask.
4. Hardship. Basically the same as Affordability, below.
5. Affordability. You can't afford coverage because the minimum amount you must pay for premiums is more than 8% of your household income.
6. Incarceration
7. Not a U.S. citizen

#### **Who is Affected**

##### **5) Are senior citizens subject to the individual shared responsibility?**

Yes. Senior citizens must have minimum essential coverage or qualify for an exemption for each month in a calendar year. Both Medicare Part A and Part C qualify.

##### **6) Are all individuals living in the United States subject to the individual shared responsibility provision?**

U.S. citizens and documented resident aliens are subject to it.

#### **Minimum Essential Coverage**

##### **7) If I receive my coverage from my spouse's employer, will I have minimum essential coverage?**

Yes. Employer-sponsored coverage is generally minimum essential coverage. If an employee enrolls in coverage that provides minimum value for himself and his family, all family members have minimum essential coverage.

**8) Do my spouse and dependent children have to be covered under the same plan that covers me?**

No. But they must have minimum essential coverage elsewhere or you will owe a shared responsibility payment when you file a return.

**9) My employer tells me that the company health plan is “grandfathered.” Does my employer’s plan provide minimum essential coverage?**

Yes. Grandfathered group health plans provide minimum essential coverage.

**10) I am a retiree but too young for Medicare. I am covered through a retiree plan from my former employer. Is that plan minimal essential coverage?**

Yes. Retiree health plans are generally minimum essential coverage.

**11) Do I have to be covered for an entire calendar month to avoid a penalty for not having minimum essential coverage for that month?**

No. You will be treated as having minimum essential coverage for a month as long as you had coverage for at least one day during that month.

### **Exemptions**

**12) If I think I qualify for an exemption, how do I obtain it?**

It depends upon the exemption for which you qualify

- The religious conscience and hardship exemptions are available only by going to the Health Insurance Marketplace and applying for an exemption certificate.
- For Indian tribal members and the incarcerated, it’s either at the Marketplace, or by claiming it on your tax return.
- The exemptions for lack of affordable coverage, household income thresholds (see below), and undocumented aliens may be claimed on the tax return.

**13) If I am not required to file a tax return due to low income, do I need to claim an exemption?**

No, you are automatically exempt. If you file a return anyway, you will go ahead and claim the exemption on your return.

**14) If I am exempt from the shared responsibility payment, can I still be eligible for the premium tax credit?**

Yes, except if you are exempt because you are incarcerated or are undocumented. When you obtain coverage via the Marketplace, you can claim the tax credit.

### **Reporting Coverage or Exemptions or Making Payments**

#### **15) Will I have to do something on my tax return to show that I had coverage or an exemption?**

Yes. We will be getting more information on how all of this will be accounted for on your tax return. Insurance providers will be required to provide you with coverage information beginning with tax year 2015.

#### **16) What happens if I am assessed a penalty and cannot afford to make the payment when filing my tax return?**

The IRS routinely works with taxpayers who owe amounts they cannot afford to pay. The law prohibits the IRS from using liens or levies to collect the amount related to the shared responsibility payment. However, if you owe the payment, the IRS may offset that liability from any tax refund due you.

Please forgive my staff for the constant reminders that you will be given related to the Affordable Care Act when they are setting up your appointment. We will all work hard here to report your health coverage accurately. The IRS has required all tax preparers to submit Due Diligence reports to them on all individual tax returns. We will comply with all current provisions that are in place.

### **Individual Shared Responsibility Provision – Calculating the Payment**

If you must make an individual shared responsibility payment with your return, the annual payment amount is the greater of a percentage of your household income or a flat dollar amount, but is capped at the national average premium for a bronze level health plan available through the Marketplace. You will owe 1/12th of the annual payment for each month you or your dependent(s) don't have either coverage or an exemption.

For 2014, the annual payment amount is:

- The greater of:
  - 1 percent of your household income that is above the tax return filing threshold for your filing status, or
  - Your family's flat dollar amount, which is \$95 per adult and \$47.50 per child, limited to a family maximum of \$285,
- But capped at the cost of the national average premium for a bronze level health plan available through the Marketplace in 2014. For 2014, the annual national average

premium for a bronze level health plan available through the Marketplace is \$2,448 per individual (\$204 per month per individual), but \$12,240 for a family with five or more members (\$1,020 per month for a family with five or more members).

Calculating your payment requires you to know your household income and your tax return filing threshold.

- **Household income** is the adjusted gross income from your tax return plus any excludible foreign earned income and tax-exempt interest you receive during the taxable year. Household income also includes the incomes of all of your dependents who are required to file tax returns.
- **Tax return filing threshold** is the amount of gross income an individual of your age and with your filing status (e.g., single, married filing jointly, head of household) must make to be required to file a tax return.

### 2014 Federal Tax Filing Requirement Thresholds

Filing Status	Age	Must File a Return If Gross Income Exceeds
Single	Under 65	\$10,150
	65 or older	\$11,700
Head of Household	Under 65	\$13,050
	65 or older	\$14,600
Married Filing Jointly	Under 65 (both spouses)	\$20,300
	65 or older (one spouse)	\$21,500
	65 or older (both spouses)	\$22,700
Married Filing Separately	Any age	\$3,950
Qualifying Widow(er) with Dependent Children	Under 65	\$16,350
	65 or older	\$17,550