

Comprehensive Affordable Care Act

Learning Objectives

- Further understand the application of the Affordable Care Act

Getting Started:



Study the associated NTTC Modified Pub 4491 IRS Training Guide
Chapter 3



Open Volunteer Resource Guide, Tab H

Hint from NTTC Modifications to the IRS Training Guide

Pages 3-4 to 3-9

Health coverage exemptions – Unclaimed Dependent

Clarify that an individual who could have been claimed as a dependent but is not actually claimed as dependent has their own household for major ACA purposes:

- The filing threshold exemption is measured by the individual's sole gross income or MAGI.
- For the unaffordable marketplace coverage exemption, the individual would compare the cost of the lowest cost bronze plan to their separate affordability threshold. No premium tax credit (PTC) is allowed as the individual is not an applicable taxpayer.
- When the individual lived in a state that did not expand Medicaid at any time during the year, the individual's separate income is compared to 138% of FPL.

For completeness, the taxpayer that could claim the individual would NOT include the individual's MAGI in their MAGI because the individual is not a member of their household for exemption eligibility, PTC, or shared responsibility payment (SRP) purposes.

Example: Student Johnny is 23 and has earned income of \$7,000 but no health coverage. His parents could but do not claim him. The lowest cost bronze plan for Johnny alone would be \$211 per month or \$2,532 annualized. The cost \$2,532 is more than his affordability threshold (8.05% of his MAGI = $\$7,000 \times 8.05\% = \564). Add Johnny to his parent's return and claim the unaffordable coverage exemption (type A) for Johnny for the whole year. In a nonexpansion state, Johnny could also claim that exemption (type G).

Hint from NTTC Modifications to the IRS Training Guide

Page 3-5

Hardship exemptions

For 2018, hardship exemptions can be claimed on the tax return. In prior years, they were available only from the Marketplace.

Marketplace exemptions

There are several Marketplace exemptions for which a taxpayer may apply. Some can be granted retroactively.

Refer to Pub 4012 and Form 8965 instructions for eligible hardship exemption circumstances and Marketplace exemptions.

Hint from NTTC Modifications to the IRS Training Guide

Page 3-10

Premium Tax Credits

Household income for the PTC calculation on Form 8962 includes the MAGI of the taxpayer, spouse if filing MFJ, and claimed dependents whose gross income exceeds the filing threshold. It does not include the MAGI of a spouse if filing MFS or the MAGI of an unclaimed dependent.

Caution though, if the unclaimed dependent is on the same policy as the taxpayer that could claim them, it would be a shared policy and the return will be out of scope.

Appendix: Affordable Care Act Exercises:

ACA shared responsibility payment (SRP)

SRP appears to apply. Discuss the hardship exemptions with Edward and Julia that may be available and can now be claimed on the return. If they choose to apply for another exemption from the marketplace and they do not have the ECN (exemption certificate number), use "PENDING" as the ECN.

Add at the end:

You note that Charles and Shay's MAGI is at 208% of the FPL on Form 8962. If their MAGI could be reduced below 200% of the FPL, the repayment cap on the excess APTC will be reduced from \$1,550 to \$600. You inform Charles and Shay that if one or the other or both contribute to a traditional IRA about \$2,051 total, they will get immediate benefits:

- Income tax deduction and tax reduction
- Retirement savings credit
- Increased EIC
- Reduced repayment of APTC

Comprehensive Affordable Care Act

You can enter a deductible IRA contribution amount in the adjustments section to show how these amounts are determined and help Charles and Shay decide if they want to contribute to an IRA and the amount.

Remind Charles and Shay that the IRA must be set up and funded prior to the due date of the return.

Before taking on the 2018 NTTC Workbook ACA Quizzes, a prerequisite should be to complete the Pub 4491, IRS Training Guide, Appendix: Affordable Care Act Exercises, or have significant prior experience.

Learning Review

Work through the 2018 NTTC Workbook Quizzes for the Affordable Care Act starting on page 190. Most Instructors, Training Coordinators, and your state Training Specialist have the answers.