

24. Healthcare and Affordable Care Act (ACA)

As an AARP Foundation Tax-Aide Counselor, we prepare tax returns and must determine if taxpayers satisfy the Affordable Care Act. This subject requires studying and using TaxSlayer Practice Lab to determine the taxpayer's potential for individual shared responsibility payment, qualifying for an exemption, and eligibility to receive the premium tax credit.

While the taxpayer is responsible for the content of their tax return, they look to Counselors for guidance and explanation of the rules. Working ACA practice problems in TaxSlayer will provide necessary training and introduce you to common situations seen during the tax season.

Learning Objectives

- Determine what is minimum essential coverage (MEC)
- Determine if taxpayers qualify for a health care coverage exemption
- Calculate the shared responsibility payment (SRP), if applicable
- Determine who is eligible for the premium tax credit
- Calculate the premium tax credit, if applicable
- Report taxpayers' health insurance coverage, premium tax credit, exemption from coverage, or shared responsibility payment on the tax return

Getting Started:



Study the associated [Pub 4491 VITA/TCE Training Guide](#) Chapter 3



Open, read **Tab H -5** [Pub 4012 Volunteer Resource Guide](#), **Affordable Care Act**

Practice Lab



Pub 5157-A is included as **Appendix: Affordable Care Act (ACA) Exercises** in **Pub 4491**. It is also available at <http://irs.gov/pub/irs-pdf/p5157a.pdf> to download and/or view VITA/TCE Affordable Care Act Taxpayer Scenarios.

Work the six scenarios in Practice Lab/TaxSlayer by shadowing each example and create each return separately. When using 2018 software and healthcare premiums, your final amounts may vary from those in Pub 5157-A.

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Tax-Aide Learning Hint and Strong Recommendation:

The ACA at first appears complicated; however work through the six scenarios in **Pub 5157A** using the “Bogart ACA Affordability Calculator” to provide structure and help. This can assist you through the learning process in Examples 1 through 4.

The **Bogart (Colorado) ACA Affordability Calculator Tool** can be found at <http://tinyurl.com/zrxcdh> or the main site cotaxaide.org/tools. (You may want to create a shortcut or bookmark). The tool helps with the more difficult aspects of affordability exemptions under the ACA. Printouts (answers) of the **Pub 5157A** examples using the Bogart calculator are included in the Self-Study syllabus.

Note that the Bogart ACA Affordability Calculator Tool is not useful with Examples 5 and 6. These are scenarios that primarily address the calculation of the net premium tax credit.

	Pub 5157-A Examples	Excess Premium Tax Credit Form 8962	Net premium Tax Credit Form 8962	# Months MEC	# Months Exemptions
1	Greg Clayton			10	2 Exemption Code B Short Term Gap
2*	Jerome & Judy Baxter			Jerome & Judy =0 Jana = 12	Full Year Exemption Code G Income < 138% FPL
3	Susan & Lee Parks			Lee & children = 0 Susan = 12	Full Year Exemption Code A Employer offered coverage was unaffordable
4	Edward & Julia Fulton			Edward & Julia = 0 Sam = 12	Full Year Marketplace insurance is affordable Share Responsibility Payment (SRP)
	Fulton Supplement General Hardship Exemption				Exemption Code G General Hardship Code G No SRP
5	Sheryl Graves		(PTC)7044 - 5904 = 1140	12	
6	Charles & Shay Baldwin	(PTC)5060 - 6070 = -1010		10	2 Exemption Code B Short Term Gap

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Tip for the Fultons (Example 4) where ACA shared responsibility payment (SRP) applies

- Review the possibility of making a traditional IRA contribution (at least \$348) and any potential hardship exemptions with Edward and Julia that might be available and claimed on the return.

Fulton Supplemental exercise: As their Tax-Aide Counselor, discuss the new guidance concerning hardships in 2018 with the Fultons.

- Show them the 14 hardship exemptions detailed on the [healthcare.gov webpage](https://www.healthcare.gov/webpage).
- If the taxpayer determines one of the exemptions applied in 2018, they could claim a hardship exemption. Fultons answer the hardship exemption applies.

Reopen the Fulton's return.

- In the Health Insurance Section, separately answer the Health Care Exemption input questions for both Edward and Julia.
- Because they qualify for an exception due to circumstances, answer Yes to the first question.
- Find and click in the exemption type dropdown, "General Hardship" (Exemption Code G).
- Check Schedule 4 Line 61, Health care: individual responsibility (SRP) ... should be zero.

Review the New Hardship Exemption Guidance for TY 2018 - HealthCare.gov:

See: <https://www.healthcare.gov/health-coverage-exemptions/hardship-exemptions/>

- Starting with plan year 2018 (TY 2018), the taxpayer **does not** have to fill out an application to get a hardship exemption. They can claim the exemption, without having to submit documentation about the hardship, on their 2018 federal tax return.
- However if the taxpayer prefers to complete an application or to claim a hardship not listed:
 - Read the instructions and download the hardship exemption application.
 - Follow the instructions carefully to download the application and open the file to complete.

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Potential Tip for Baldwin's (Example 6) Excess Advanced Premium Tax Credit Repayment

- Note that Charles and Shay's MAGI is at 208% of the FPL on Form 8962 (see Summary/Print PDF). If their MAGI could be reduced below 200% of the federal poverty line (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.
- Open Baldwin's return in TaxSlayer (Practice Lab) and enter a "what-if" deductible IRA contribution amount to determine the impact. This could help Charles and Shay decide if they want to contribute to an IRA and the amount.

TaxSlayer Hint for Health Insurance and the Affordable Healthcare Act:

Rely on the Summary/Print > VIEW/PRINT Return (pdf) to verify the TaxSlayer results:

- Form 1040 Schedule 2, Line 46, Excess advance premium tax credit repayment
- Form 1040 Schedule 4, Line 61, Health Care: individual responsibility
- Form 1040 Schedule 5, Line 70, Net premium tax credit
- Form 8962, Premium Tax Credit
- Form 8965, Health Coverage Exemptions

Practice Lab may not properly check the Full-year health care coverage or exempt box on Form 1040, page 1.

Caution - Premium Tax Credit - if income is less than 100% Federal Poverty Line:

Follow Pub 4012, page H-24, 3rd bullet guidance carefully. Generally **answer "Yes"** though the TaxSlayer default answer is No for this question. Very important that answer be changed to **Yes** if income is below FPL. If the answer is not changed to Yes the taxpayer must repay the APTC subject to the cap.

Tax-Aide Hint:

For new counselors, ACA exemptions can be complicated. Discuss this topic with your Local Coordinator. During production, they may have a plan for reassigning some of the more complicated situations to experienced tax preparers. This allows you to be more focused in your learning of the ACA tax consequences.

Feedback:

Please email: selfstudy@aarpdfntaxaide.org. We appreciate suggestions and comments.

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Learning Review

1: Sandy is covered under health insurance offered by her spouse's employer. Does she have MEC?	Yes or No
2: Keith and Kathy are married with dependent children. Must they all be covered under the same policy or plan to have MEC?	Yes or No
3: James is retired and too young to be eligible for Medicare. He received his health coverage through a retiree health insurance plan offered by his former employer. Is the retiree plan MEC?	Yes or No
4: Valerie is a local government employee and she enrolls in group health insurance coverage offered by her employer. Does she have MEC?	Yes or No
5: Jessie is 20 years old, going to school full-time, and working to support herself. She provides more than half of her own support, although Jessie still lives with her parents. Is Jessie responsible for her health coverage under ACA?	Yes or No
6: (Continuing from Question 5) If Jessie's parents provided more than half of Jessie's support, are they responsible for Jessie's health coverage under ACA?	Yes or No
7: Randy was covered by Medicaid until February 23rd. He started a new job and his employer-sponsored health coverage started on May 1st. Does an exemption apply?	Yes or No
8: Jocelyn and Larry file jointly and claim their child, Hank. Hank has a part-time job and earns \$5,000. Hank will file a return to get a refund of the tax that was withheld from his paychecks. Will Jocelyn and Larry include Hank's \$5,000 as part of their Household Income for ACA purposes?	Yes or No
9: (Continuing from Question 8) If Hank earned \$13,000, would Jocelyn and Larry include Hank's income as part of their Household Income for ACA purposes?	Yes or No
10: Pedro is retired and covered by Medicare. His wife Camilla is too young for Medicare. Both are U.S. citizens. Even though Pedro is on Medicare, can Camilla get a PTC if she enrolls in coverage through the Marketplace (and is otherwise eligible for a PTC)?	Yes or No

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11: You are completing the return for Antonio, who purchased health coverage through the Marketplace and received the benefit of APTC. In completing Form 8962, you note that Antonio's MAGI is 401 percent of the FPL and the calculation shows that he has to repay the entire APTC. Assuming that Antonio would be entitled to an IRA deduction if he made an IRA contribution, can Antonio reduce his 2018 MAGI for the PTC calculation even though it is now 2019 and his 2018 tax year has ended?	Yes or No
12: Piper's income is 300 percent of the FPL for her family size. She purchased health insurance through her employer. Is Piper eligible to take the PTC for her coverage?	Yes or No
13: Harry purchased insurance through the Marketplace. What form will he receive from the Marketplace to prepare his tax return? A. Form 8962 B. Form 1095-A C. Form 8965 D. Form W-2	
14: Roger's APTC payments are \$2,500. He is single with no dependents, and lives in Mississippi. On Form 8962, he calculates an actual PTC of \$1,000. His household income is over 300 percent of the FPL but under 400 percent of the FPL for a family size of one. How much of the excess APTC will be included as an additional income tax liability on his tax return? A. \$0 B. \$1,300 C. \$1,550 D. \$2,600	A, B, C, or D
15: Judy is single with no dependents. In December, Judy enrolled through the Marketplace in a qualified health plan for the following year. On July 14, Judy enlisted in the Army and was immediately eligible for government sponsored minimum essential coverage. For what period is Judy able to claim a PTC (if she meets all of the eligibility criteria)? A. The entire tax year B. January through June C. January through July D. Judy is not eligible for the PTC	A, B, C, or D

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Answers to Learning Review

1: Yes. Employer-sponsored coverage is minimum essential coverage. If an employee enrolls in employer-sponsored coverage that provides minimum value for himself and his family, the employee and all of the covered family members have minimum essential coverage.
2: No. They do not have to be covered under the same policy or plan. However, they must all have minimum essential coverage or qualify for a coverage exemption, or Keith and Kathy will owe an SRP when they file a return.
3: Yes. Retiree health plans are minimum essential coverage.
4: Yes. Employer-sponsored coverage is minimum essential coverage regardless of whether the employer is a governmental, nonprofit, or for-profit entity.
5: Yes. Because Jessie cannot be claimed as a dependent, she is responsible for her own coverage.
6: Yes. Jessie's parents would be entitled to claim Jessie if she does not provide more than half of her own support and would therefore be responsible for her coverage.
7: Yes. Randy is eligible for the short coverage gap exemption because he was without coverage for less than three months.
8: No. Hank's income is below the filing threshold for a dependent with earned income so his parents will not include his MAGI in the Household Income for ACA purposes.
9: Yes. Hank's income is above the filing threshold for a dependent with earned income, so his parents will include his MAGI in the Household Income for ACA purposes.
10: Yes. Camilla is eligible for a PTC if she enrolls in coverage through the Marketplace (and is otherwise eligible).
11: Yes, Antonio can make a deductible IRA contribution up until April 15, 2019.
12: No, the coverage must have been purchased through the Marketplace.
13: B. Form 1095-A.
14: B. \$1,300. Roger received a \$1,500 overpayment of APTC. However, his repayment is limited to \$1,300.
15: C. Judy is eligible for the PTC from January through July.

Hardship exemptions, forms & how to apply

<https://www.healthcare.gov/health-coverage-exemptions/hardship-exemptions/>

- Exemptions from the requirement to have health insurance
- Health coverage exemptions, forms & how to apply
- Hardship exemptions, forms & how to apply
- 2019 exemptions & catastrophic coverage
- After you apply for a health coverage exemption

Hardships are financial situations and other circumstances that keep you from getting health insurance. If you qualify for a hardship exemption, you don't have to pay a fee for the months you were uncovered.

2018 hardship exemptions

- Starting with plan year 2018 (for which you'll file taxes in April 2019), you don't have to fill out an application to get a hardship exemption. You can claim the exemption, without having to submit documentation about the hardship, on your 2018 federal tax return.
- If you'd prefer to complete an application and submit documentation for a 2018 hardship exemption (or are applying for a 2016 or 2017 hardship exemption), you may follow the instructions below.

Need a 2018 hardship exemption form?

Get [instructions for downloading the hardship exemption form](#), and a link to the form itself.

Hardship exemptions

Following are all hardship exemptions, with links to details, forms, and instructions.

1. You [were homeless](#)
2. You were evicted or [were facing eviction or foreclosure](#)
3. You [received a shut-off notice from a utility company](#)
4. You [experienced domestic violence](#)
5. You [experienced the death of a family member](#)
6. You [experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property](#)
7. You [filed for bankruptcy](#)
8. You had medical expenses you couldn't pay [that resulted in substantial debt](#)

9. You experienced [unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member](#)
10. You [claim a child as a tax dependent who's been denied coverage for Medicaid and CHIP](#) for 2017, and another person is required by court order to give medical support to the child. In this case you don't have to pay the penalty for the child.
11. As a [result of an eligibility appeals decision](#), you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace in 2017
12. You were determined [ineligible for Medicaid because your state didn't expand eligibility for Medicaid in 2018](#) under the Affordable Care Act
13. The exemption for "grandfathered" individual insurance plans is no longer available for 2017 and later
14. You had another hardship. If you experienced another hardship obtaining health insurance, [use this form to describe your hardship](#) and apply for an exemption.

2019 hardship exemptions

- Starting with the 2019 plan year (for which you'll file taxes in April 2020), the penalty no longer applies. (The fee is sometimes called the "Shared Responsibility Payment" or "mandate.") If you don't have coverage during 2019, you don't need an exemption in order to avoid the penalty.
- If you are 30 or older and want to buy a Catastrophic health plan, you must apply for a hardship exemption to qualify. [Learn about hardship exemptions and Catastrophic plans for 2019.](#)