



# Affordable Care Act: What You and Your Family Need to Know

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# Introduction

This publication covers some of the tax provisions of the Affordable Care Act (ACA). It provides information about the individual shared responsibility and the premium tax credit. A glossary is included to help taxpayers understand some terms related to the health care law.

## What's New?

Under the Tax Cuts and Jobs Act, passed December 22, 2017, the amount of the individual shared responsibility payment is reduced to zero for months beginning after December 31, 2018.

Beginning in tax year 2019 and beyond, Forms 1040 and 1040-SR will not have the “full-year health care coverage or exempt” box and ~~Form 8965, Health Coverage Exemptions~~, will no longer be used.

You need not make a shared responsibility payment or file ~~Form 8965, Health Coverage Exemptions~~, with your tax return if you don't have minimum essential coverage for part or all of the year.

Reminder from the IRS: If you need health coverage, visit [HealthCare.gov](https://www.healthcare.gov) to learn about health insurance options that are available for you and your family, how to purchase health insurance, and how you might qualify to get financial assistance with the cost of insurance.

*Taxpayers who enrolled in coverage through the Health Insurance Marketplace during the calendar year and who received the benefit of advance payments of the premium tax credit (advance credit payments or APTC) must file a tax return and reconcile any advance credit payments made on their behalf with the premium tax credit they are allowed. If you, your spouse if filing jointly, or a dependent received advance payments of the premium tax credit through the Health Insurance Marketplace, you must complete Form 8962, Premium Tax Credit. Filing your return without Form 8962 will delay your refund and may affect future advance credit payments.*

## What forms may be used to prepare the return?

- [Form 1095-A, Health Insurance Marketplace Statement](#)
- [Form 1095-B, Health Coverage](#)
- [Form 1095-C, Employer-Provided Health Insurance Offer & Coverage](#)
- [Form 8962, Premium Tax Credit, & Instructions](#)

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~~Form 8965, Health Coverage Exemptions & Instructions~~, will not be available beginning in tax year 2019 and beyond. You need not make a shared responsibility payment or file Form 8965 with your tax return if you don't have minimum essential coverage for part or all of the year.

Taxpayers, tax professionals, and volunteer preparers should consider preparing and filing tax returns electronically. Using tax preparation software is an easy way to file a complete and accurate tax return as it does the math and completes the appropriate forms based on information provided by the taxpayer. Visit [IRS.gov](https://www.irs.gov) for information about electronic filing options, including [IRS Free File](#). The IRS Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) programs offer free tax help and e-file for taxpayers who qualify. [Learn More About Free Tax Return Preparation](#)

## What publications may be useful?

- [Publication 17, Your Federal Income Tax \(For Individuals\)](#)
- [Publication 974, Premium Tax Credit](#)

The [IRS resource page](#) on [IRS.gov/aca](https://www.irs.gov/aca) is updated as new information is available.

# Affordable Care Act Overview

## What is the Affordable Care Act?

Under the Affordable Care Act, the federal government, state governments, insurers, employers, and individuals share responsibility for improving the quality and availability of health insurance coverage in the United States.

The ACA created the Health Insurance Marketplace, also known as the Marketplace. At the Marketplace, which may be a State-based or Federally-facilitated Marketplace, taxpayers can find information about health insurance options, enroll in qualified health plans and, if eligible, obtain help paying premiums and out-of-pocket costs. A taxpayer is allowed a premium tax credit only if the taxpayer, the taxpayer's spouse if filing a joint return or a member of the taxpayer's family whom the taxpayer claims as a dependent enrolled in a qualified health plan through a Marketplace. This credit helps eligible taxpayers pay for coverage.

The ACA also includes the individual shared responsibility provision, which requires individuals to have qualifying health care coverage for each month of the year, qualify for a coverage exemption, or make a shared responsibility payment when filing their federal income tax returns. Under the Tax Cuts and Jobs Act, passed December 22, 2017, the amount of the individual shared responsibility payment is reduced to zero for months beginning after December 31, 2018.

For purposes of the ACA, qualifying health care coverage is also called minimum essential coverage. Most taxpayers already had minimum essential coverage prior to the start of the year and only had to maintain that coverage during the entire year. Prior to tax year 2019, taxpayers and their dependents who had minimum essential coverage for each month of the year, simply checked a box on Form 1040 indicating that coverage when they filed.

Some taxpayers are exempt under the individual shared responsibility provision and, prior to tax year 2019, would have filed Form 8965, Health Care Exemptions, to claim a coverage exemption. Beginning in tax year 2019 and beyond, Forms 1040 and 1040-SR will not have the "full-year health care coverage or exempt" box and Form 8965, Health Coverage Exemptions, will no longer be used as the shared responsibility payment is reduced to zero.

You need not make a shared responsibility payment or file Form 8965, Health Coverage Exemptions, with your tax return if you don't have minimum essential coverage for part or all of the year.

# Individual Shared Responsibility Provision

## What is the individual shared responsibility provision?

For each month of the year, the individual shared responsibility provision calls for individuals to have qualifying health care coverage also called minimum essential coverage

Individuals are treated as having minimum essential coverage for the month as long as the individuals are enrolled in and entitled to receive benefits under a plan or program identified as minimum essential coverage for at least one day during that month.

### Who must have health care coverage?

In general, all U.S. taxpayers are subject to the individual shared responsibility provision. Under the provision, a taxpayer must ensure that every nonexempt member of the tax household (that is, the taxpayer himself or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes have minimum essential coverage). Thus, children must have minimum essential coverage or qualify for a coverage exemption for each month in the year.

Senior citizens must also have minimum essential coverage for each month in the year. Both Medicare Part A and Medicare Part C (also known as Medicare Advantage) are minimum essential coverage. After Dec. 31, 2018, the shared responsibility payment is reduced to zero. Taxpayers age 65 or older will have the option to use new Form 1040-SR, U.S. Tax Return for Seniors, when they file their federal income tax return.

Beginning in tax year 2019 and beyond, Forms 1040 and Form 1040-SR will not have the “full-year health care coverage or exempt” box and Form 8965, Health Coverage Exemptions, will no longer be used as the shared responsibility payment is reduced to zero.

You need not make a shared responsibility payment or file Form 8965, Health Coverage Exemptions, with your tax return if you don't have minimum essential coverage for part or all of the year.

All U.S. citizens are subject to the individual shared responsibility provision, as are all non-U.S. citizens who are in the U.S. long enough during a calendar year to qualify as resident aliens for federal income tax purposes. Foreign nationals who live in the U.S. for a short enough period that they do not become resident aliens for tax purposes are exempt from the individual shared responsibility provision even though they may have to file a U.S. income tax return. In addition, all bona fide residents of U.S. territories are exempt from the individual shared responsibility provision.

## What is minimum essential coverage?

Under the ACA, minimum essential coverage is a health care plan or arrangement specifically identified in the law as minimum essential coverage, including:

- Specified government-sponsored programs (for example, Medicare Part A, Medicare Advantage, most Medicaid programs, CHIP, most TRICARE programs, and comprehensive health care coverage of veterans)
- Employer-sponsored coverage under a group health plan (including self-insured plans)
- Individual market coverage (for example, a qualified health plan purchased through the Marketplace or individual health coverage purchased directly from an insurance company)
- Grandfathered health plans (in general, certain plans that existed before the ACA and have not changed since the ACA was passed)
- Other plans or programs that the Department of Health and Human Services recognizes as minimum essential coverage for purposes of the ACA

IRS.gov/aca has a [page](#) that shows these and other types of coverage that qualify as minimum essential coverage and some that do not.

## Will taxpayers report minimum essential coverage when they file?

Beginning in tax year 2019 and beyond, Forms 1040 and 1040-SR will not have the “Full-year health care coverage or exempt” box and you will no longer report health care coverage when you file.

See prior year [Form 8965 Instructions](#) on [IRS.gov](#) for more information about minimum essential coverage, types of coverage exemptions and the shared responsibility payment. If taxpayers owe a shared responsibility payment (SRP) for tax years before 2019, the IRS may offset that liability with any tax refund that may be due to them.



## How will taxpayers claim coverage exemptions with the IRS?

Beginning in tax year 2019 and beyond, Forms 1040 and 1040-SR will not have the “Full-year health care coverage or exempt” box and Form 8965, Health Coverage Exemptions, will no longer be available. Because the shared responsibility payment for 2019 and subsequent years is reduced to zero, taxpayers need not affirmatively claim coverage exemptions on their returns.

## What changes did the Tax Cuts and Jobs Act make to the individual shared responsibility payment?

Through tax year 2018, if anyone in the taxpayer's tax household did not have minimum essential coverage, and did not qualify for a coverage exemption, the taxpayer needed to make an individual shared responsibility payment when filing a federal income tax return.

Enacted in December 2017, the Tax Cuts and Jobs Act (TCJA) reduced the shared responsibility payment to zero for tax year 2019 and all subsequent years. For January 1, 2019 and beyond, taxpayers are still required by law to have minimum essential coverage or qualify for a coverage exemption. However, under the TCJA, you need not make a shared responsibility payment or file Form 8965 with your tax return if you don't have minimum essential coverage for part or all of the year.

Beginning in 2019 and beyond, Forms 1040 and 1040-SR will not have the “Full-year health care coverage or exempt” box.

Reminder from the IRS: If you need health coverage, visit [HealthCare.gov](https://www.healthcare.gov) to learn about health insurance options that are available for you and your family, how to purchase health insurance, and how you might qualify to get financial assistance with the cost of insurance.

If taxpayers owe a Shared Responsibility Payment for tax years before 2019, the IRS may offset that liability with any tax refund that may be due to them. The IRS routinely works with taxpayers who owe amounts they cannot afford to pay. This sometimes includes enforced collection action such as liens and levies. However, the law prohibits the IRS from using liens or levies to collect any SRP. If taxpayers owe the SRP, the IRS may offset that liability with any tax refund that may be due to them.

## What documentation will taxpayers receive?

If you, or another member of your tax household, were enrolled in health insurance during the year through a Marketplace, you will receive a statement from the Marketplace early in the new year relating to last year's health insurance coverage. If you or a family member enrolled in non-Marketplace coverage, the health coverage provider or employer through whom you enrolled may provide a statement to you with your health coverage information for you, your spouse and any dependents. These forms will also be provided to the IRS.

The forms are:

- Form 1095-A, *Health Insurance Marketplace Statement*
- Form 1095-B, *Health Coverage*
- Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*

You shouldn't file these forms with your tax return but the information from them may help you complete your tax return.

Most people will get at least one form; however, you may get more than one depending upon your circumstances. You are likely to get more than one form if you had more than one insurance plan or if you worked for more than one employer that offered coverage. You are also likely to get more than one form if you changed coverage or employers during the year or if different members of your family received coverage from different providers.

## Will I get a Form 1095-C from each of my employers?

Not necessarily. You will only receive a Form 1095-C from your employer if the employer has 50 or more full-time or full-time equivalent employees. Most employers have fewer than 50 employees and therefore most employers are not required to issue Form 1095-C to their employees. Although you may receive multiple Forms 1095-C if you worked for two or more employers, it is possible that you will not receive a Form 1095-C from any of your employers.

## What do I do with these forms?

Most people do not have to wait for these forms before filing their individual income tax return. The IRS has posted a set of questions and answers about new Forms 1095-B and 1095-C. The questions and answers explain who should expect to receive the forms, how they can be used, and how to file with or without the forms.

However, if you, your spouse, or another person whom you claim as a dependent on your tax return enrolled in coverage through a Health insurance Marketplace you will need the information on Form 1095-A to complete Form 8962 and file a complete and accurate tax return. If you need a copy of your Form 1095-A, go to [HealthCare.gov](https://www.healthcare.gov) or your state Marketplace website and log into your Marketplace account or call your Marketplace call center.

If you, your spouse, or another member of your tax household did not enroll in coverage through the Marketplace you will not receive Form 1095-A and you do not need to wait for a Form 1095-B or Form 1095-C before you file. You should carefully review any Forms 1095 that you subsequently receive to make sure they accurately reflect your health coverage for the year.

Taxpayers who think they should have received a form but did not, need to get a replacement or need a corrected form, should contact the issuer directly:

- Marketplace ([Form 1095-A](#)),
- Coverage provider ([Form 1095-B](#)),
- Employer ([Form 1095-C](#)).



# Premium Tax Credit and Advance Payments

## Who can claim a premium tax credit?

Only taxpayers who purchased a qualified health plan for themselves, their spouse if filing a joint return, or a person whom they claim as a dependent on their tax return from a State-based or Federally-facilitated Health Insurance Marketplace are eligible for the premium tax credit. This tax credit helps eligible taxpayers pay their health insurance premiums. When enrolling themselves or a family member in a qualified health plan through the Marketplace, eligible taxpayers may choose to have advance payments of the premium tax credit made to their insurance company or forego advance credit payments and wait to get the premium tax credit when they claim it on their tax return. Taxpayers must file a tax return to claim the premium tax credit. Those who choose advance credit payments must file a tax return to reconcile their advance credit payments (the amount of which is based on a projection of household income) with their actual premium tax credit (which is based on the taxpayer's actual household income) even if they have gross income below the income tax filing threshold and they otherwise would not have to file a tax return.

In general, taxpayers are allowed a premium tax credit if they meet all of the following:

- The taxpayer, or his or her spouse (if filing a joint return) or dependent was enrolled in a qualified health plan offered through the Marketplace for one or more months in which the enrolled individual was not eligible for other minimum essential coverage such as employer-sponsored coverage or government-sponsored coverage such as Medicaid or Medicare, and for which the taxpayer's share of the enrollment premiums was paid by the due date of the taxpayer's return (not including extensions).
- The taxpayer is an applicable taxpayer. A taxpayer is an applicable taxpayer if he or she meets the following three requirements:
  - The taxpayer's household income is at least 100 percent, but not more than 400 percent, of the federal poverty line for the taxpayer's family size. (See the exception below for taxpayers with household income below 100 percent of the federal poverty line who are not citizens, but are lawfully present in the U.S. See the definition of "applicable taxpayer" in the glossary in this Publication for another exception for taxpayers with household income below 100 percent of the federal poverty line for whom advance credit payments were made.)
  - If married, the taxpayer files a joint return with his or her spouse. If you are considered married for federal income tax purposes, you may be eligible to take the PTC without filing a joint return if one of the two exceptions applies to you. If Exception 1 (Certain married persons living apart) applies, you can file a return using head of household or single filing status and take the PTC. If Exception 2 (Victim of domestic abuse or spousal abandonment) applies, you are treated as married but can take the PTC with the filing status of married filing separately. See the glossary in this Publication for more information about domestic abuse or spousal abandonment and the instructions for Form 8962, Premium Tax Credit, for more details about these exceptions.
  - The taxpayer cannot be claimed as a dependent by another person.

A taxpayer with household income below 100 percent of the federal poverty line can be an applicable taxpayer if the taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan, is lawfully present in the U.S. and not eligible for Medicaid because of immigration status and the taxpayer meets the other applicable taxpayer requirements.

## **Federal Poverty Line (FPL)**

The federal poverty line (FPL) is an income amount (adjusted for family size considered poverty level for the year. The U.S. Department of Health and Human Services (HHS) determines the federal poverty line amounts annually and publishes a table reflecting these amounts at the beginning of each calendar year. You can also find this information on the HHS website at [hhs.gov](https://www.hhs.gov). HHS provides three federal poverty lines:

- one for residents of the 48 contiguous states and D.C.,
- one for Alaska residents, and
- one for Hawaii residents.

For purposes of the premium tax credit, eligibility for and the amount of the credit for a particular year is based on the most recently published set of poverty guidelines as of the first day of the annual open enrollment period for coverage in that year. The Federal poverty line for your family size is provided in Tables 1-1, 1-2, and 1-3, in the Form 8962, Premium Tax Credit, instructions.

## **What is household income and what are its limits?**

A taxpayer's household income is the total of the taxpayer's modified adjusted gross income (MAGI), the taxpayer's spouse's MAGI if married filing a joint return, and the MAGI of all dependents required to file a federal income tax return because the dependent's income meets the income tax return filing threshold.

MAGI, for the purpose of the premium tax credit, is the adjusted gross income on the federal income tax return plus any excluded foreign income, nontaxable social security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest. It does not include Supplemental Security Income (SSI).

In general, only **taxpayers and families whose household income for the year is between 100 percent and 400 percent of the federal poverty line for their family size may be eligible for the premium tax credit.** A taxpayer who meets these income requirements must also meet the other eligibility criteria to claim the premium tax credit.

## **Are taxpayers allowed a premium tax credit for all enrolled family members?**

A taxpayer is allowed a premium tax credit only for months that (1) a member of the taxpayer's tax family is enrolled in a qualified health plan offered through a Marketplace and is not eligible for minimum essential health coverage (other than individual market coverage), and (2) the taxpayer's share of the enrollment premium for the month is paid by the due date of the taxpayer's return (not including extensions). The taxpayer's tax family consists of the taxpayer, the taxpayer's spouse if filing jointly, and all other individuals whom the taxpayer claims as dependents. The family members who meet the first requirement above are the taxpayer's "coverage family." For example, if an individual changed enrollment from Marketplace coverage to employer-sponsored coverage during the year, the individual is a member of the coverage family only for the months the individual is enrolled through the Marketplace and was not eligible for coverage under the employer-sponsored plan or other coverage (not counting individual market coverage).

## **Is a taxpayer allowed a premium tax credit for the coverage of a family member if the family member enrolls in employer coverage?**

Generally, a premium tax credit is not allowed for a person's Marketplace coverage for those months in which the person is eligible for employer-sponsored coverage, even if the person turns down the employer's coverage. This includes the employee and a family member of the employee who is eligible to enroll in the employer coverage as a result of a relationship to the employee. A person may be allowed a premium tax credit despite an offer of employer coverage if the employer's coverage is unaffordable or fails to meet a minimum value standard (employers will provide employees with information concerning whether the minimum value standard is met). However, a premium tax credit is not allowed for the months an individual is enrolled in employer coverage, even if the employer coverage is unaffordable or fails to meet the minimum value standards.

### **When is employer coverage considered to be affordable for an individual?**

In general, the determination of whether employer coverage is affordable is made by comparing the employee's cost of the employer coverage for self-only coverage to household income. For plan years beginning in 2020, if the employee's cost for the employer coverage is more than 9.78 percent of household income, the employer coverage is unaffordable. The affordability test for family members is the same as the test for the employee (compare the cost of the employee's self-only coverage to household income). However, if during the Marketplace application process, the Marketplace determines that, based on projected household income, the employer coverage would be unaffordable, the employer coverage is considered unaffordable for the employer's plan year even if it would have been affordable based on the household income reported on the tax return.

### **Is a taxpayer allowed the premium tax credit for a family member's coverage if the family member is eligible for coverage through a government-sponsored program?**

An individual eligible for coverage through a government-sponsored program such as Medicaid, Medicare, CHIP or TRICARE, is not a member of the coverage family for the months in which the individual is eligible for government-sponsored coverage. Therefore, a premium tax credit is not allowed for this individual's coverage for the months the individual is eligible for the government-sponsored coverage. However, an individual is treated as not eligible for Medicaid, CHIP, or a similar program for a period of coverage under a qualified health plan if, when the individual enrolls in the qualified health plan, the Marketplace determines or considers the individual to be not eligible for coverage under the program.

A person is considered eligible for government or employer-sponsored coverage for a month only if the person is eligible for the coverage for every day of that month. For example, if a person becomes eligible for employer or government-sponsored coverage on the 5th day of a month, he or she is considered not eligible for the employer or government coverage for that month and may be allowed a premium tax credit for the month. The person will not be eligible for the premium tax credit for the following month. Thus, the person should alert the Marketplace to the change and discontinue any advance credit payments for the Marketplace coverage.

### **How does the taxpayer get advance payments of the premium tax credit?**

During enrollment in a Marketplace health plan, a taxpayer projects his or her household income and family composition. The Marketplace verifies this information through various data sources, including prior year tax information, Social Security Administration data, and state-level wage data. Using all of this information, the Marketplace estimates the amount of premium tax credit the taxpayer will be able to claim. This estimate of the premium tax credit is the maximum amount of advance credit payments for which the taxpayer is eligible.

If eligible for advance credit payments of the premium tax credit, taxpayers may choose to:

- Have some or all of the maximum amount of advance credit payments for which the taxpayer is eligible paid directly to the insurance company to lower what is paid out-of-pocket for monthly premiums; or
- Forego advance credit payments, pay the entire amount of the monthly premiums and get the credit when they file their tax return.

The amount of the advance credit payments will appear on Form 1095-A, *Health Insurance Marketplace Statement*, issued by the Marketplace.

## **How is the amount of the premium tax credit determined?**

The premium tax credit is the sum of the credit amount for each month. The credit amount for a month is the lesser of two amounts: (1) the monthly premium for the plan or plans in which the taxpayer's family enrolled (enrollment premium) and (2) the monthly premium for the taxpayer's applicable second lowest cost silver plan (SLCSP) minus the taxpayer's monthly contribution amount. This calculation is done on Form 8962, *Premium Tax Credit*. The applicable SLCSP premium will generally be determined by the Marketplace and included on Form 1095-A, *Health Insurance Marketplace Statement*. A taxpayer's monthly contribution amount is 1/12 of the product of the taxpayer's household income by the applicable figure (from Table 2 in the [instructions for Form 8962](#)). The applicable figure is determined on the basis of the ratio that the taxpayer's household income bears to the federal poverty line for the taxpayer's family size. The monthly contribution amount is the contribution amount divided by 12. Taxpayers enrolled in the same qualified health plan for all 12 months of the year and who have the same applicable SLCSP for all 12 months can do a single, annual calculation to compute their premium tax credit.

Taxpayers who receive a Form 1095-A, *Health Insurance Marketplace Statement*, from the Marketplace showing changes in monthly amounts must do a monthly calculation to determine their premium tax credit in Section 2 of Form 8962, *Premium Tax Credit*. Taxpayers who have changes in monthly amounts not shown on Form 1095-A (for example, a taxpayer enrolled in a qualified health plan became eligible for employer coverage during the year, but did not notify the Marketplace) must also do a monthly calculation to determine their premium tax credit.

The premium tax credit is a refundable tax credit. If the amount of the credit is more than the amount of the tax liability on the return, taxpayers will receive the difference as a refund. If no tax is owed, taxpayers can get the full amount of the credit as a refund.

If taxpayers received the benefit of advance credit payments, they will reconcile the advance credit payments with the amount of the actual premium tax credit that is calculated on the tax return. If excess advance credit payments were made on their behalf (meaning the advance credit payments are more than the amount of the premium tax credit), taxpayers will enter the excess advance credit payment amount on their return and repay all or a portion of it when they file their federal income tax return.

## **What happens if income or family size changed during the year?**

Part of the premium tax credit calculation is the contribution amount, which will be higher at a higher FPL (and lowers the amount of the credit). FPL is based on household income and family size. Therefore, a taxpayer's premium tax credit for the year will differ from the amount of advance credit payments estimated by the Marketplace if the taxpayer's family size or household income as estimated at the time of enrollment is different from the family size or household income reported on the return.

A taxpayer's premium tax credit for the year typically will differ from the advance credit payment amount estimated by the Marketplace because the taxpayer's family size and household income are estimated at the time of enrollment. The more the actual family size or household income differs from the estimates the Marketplace used to compute the advance credit payments, the more significant the difference will be between the advance credit payments and the actual credit. In addition, changes to a taxpayer's coverage family can result in differences between the taxpayer's advance credit payments and premium tax credit (for example, an excess advance credit payment will likely arise if a member of the taxpayer's coverage family becomes eligible for employer coverage during the year but the taxpayer does not notify the Marketplace of the change).

Taxpayers should notify the Marketplace about changes in circumstances when they happen, which allows the Marketplace to update the information used to determine the expected amount of the premium tax credit and adjust the advance credit payment amount. This adjustment decreases the likelihood of a significant difference between the advance credit payments and the actual premium tax credit. Changes in circumstances that can affect the amount of the actual premium tax credit include:

- Increases or decreases in household income
- Marriage or divorce
- Birth or adoption of a child or other changes in household composition
- Gaining or losing eligibility for government-sponsored or employer-sponsored health care coverage
- Change of address

#### **What documentation will taxpayers receive?**

By January 31 of the year following the year of coverage, the Marketplace will send a Form 1095-A, Health Insurance Marketplace Statement, to taxpayers who enrolled themselves, or a person whom they claim as a dependent, in insurance through the Marketplace. The information statement includes the monthly premium for the applicable SLCP used to compute the credit, the monthly enrollment premiums (the premiums for the plan or plans the taxpayer and his or her family members enrolled in), the amount of the advance credit payments, the SSN and names for all covered individuals, and all other required information. The Marketplace also reports this information to the IRS.

Taxpayers will use the information on Form 1095-A, *Health Insurance Marketplace Statement*, to compute the premium tax credit on their tax return and to reconcile the advance credit payments made on their behalf with the amount of the actual premium tax credit on Form 8962.

#### **What do taxpayers do if they lost or never received their Form 1095-A or if it is incorrect?**

If Form 1095-A was lost, never received, or is incorrect, taxpayers should contact their Marketplace directly for a copy. Information regarding how to reach the Marketplace is available on [HealthCare.gov](https://www.healthcare.gov) as well as [IRS.gov/aca](https://www.irs.gov/aca). If taxpayers experience difficulty obtaining the Form 1095-A, Health Insurance Marketplace Statement, from their Marketplace, they should review the monthly billing statements provided by their health coverage provider or contact the provider directly to obtain the coverage information, monthly premium amounts, and amount of monthly advance credit payments made on their behalf.

#### **How is the premium tax credit claimed on the tax return?**

Only taxpayers who enrolled themselves, their spouse if filing a joint return, or a person whom they claim as dependent, in a qualified health plan through the Marketplace are allowed a premium tax credit. Taxpayers claim the premium tax credit on their federal income tax return. Taxpayers who received the benefit of advance credit payments must file a federal income tax return even if they otherwise are not required to file a tax return.

A taxpayer computes the amount of PTC on Form 8962 and reconciles it with the advance credit payments for the year. On [Form 8962, Premium Tax Credit](#), a taxpayer must subtract the advance credit payments for the year from the amount of the taxpayer's premium tax credit calculated on the tax return. If the premium tax credit computed on the return is more than the advance credit payments made on the taxpayer's behalf during the year, the difference will increase the taxpayer's refund or lower the amount of tax owed. This will be reported in Form 1040, Schedule 3. If the advance credit payments are more than the premium tax credit (an excess advance credit payment), all or a portion of the difference will increase the amount of the taxpayer tax liability and result in either a smaller refund or taxes owed. This will be entered in Form 1040, Schedule 2.

For taxpayers with household income below 400 percent of the FPL, the amount of tax liability due to excess advance credit payments is limited as provided in the repayment limitation table (see below).

Repayment Limitation Table		
Household Income Percentage of Federal Poverty Line	Limitation Amount for Single	Limitation Amount for All Other Filing Statuses
Less than 200%	\$300	\$600
At least 200%, but less than 300%	\$800	\$1,600
At least 300%, but less than 400%	\$1,325	\$2,650
400% or more	No limit	No limit

Consult the instructions for Form 8962, Premium Tax Credit Credit, and Publication 974, Premium Tax Credit, for more information. For taxpayers eligible to use the Married Filing Separately filing status, the repayment limitation above applies to the spouses separately based on the household income reported on each return.

Taxpayers who chose not to have advance credit payments made on their behalf during the tax year will get all of the benefit of their premium tax credit on their tax return. This will either increase their refund or lower the taxes owed.

### What about unusual situations?

For situations listed below, consult the instructions for Form 8962, *Premium Tax Credit Credit*, and [Publication 974](#), *Premium Tax Credit*.

#### What if taxpayers have a shared policy purchased through the Marketplace?

If a taxpayer, or another member of the taxpayer’s tax family, is enrolled in a policy with a person not in the taxpayer’s tax family (a shared policy), the taxpayer may have to allocate the items on Form 1095-A, Health Insurance Marketplace Statement (the enrollment premium, the premium for the applicable SLCP, and the advance credit payments) with another taxpayer (a shared policy allocation). The following taxpayers may have to do a shared policy allocation:

- Taxpayers who got divorced or legally separated in during the tax year
- A taxpayer who claims as a dependent an individual (the taxpayer’s child, for example) who was enrolled in a policy with an individual in another taxpayer family (the taxpayer’s former spouse, for example)
- A taxpayer who is enrolled in a policy with an individual (the taxpayer’s child, for example) who is claimed as a dependent by another taxpayer (the taxpayer’s former spouse, for example).
- A taxpayer filing a separate return from his or her spouse

Taxpayers complete the shared policy allocation on Form 8962, *Premium Tax Credit*, Part 4.

#### What if taxpayers get married during the year?

If taxpayers got married during the tax year and one or both spouses received the benefit of advance credit payments for the year, the spouses may be eligible to use an alternative calculation to determine their excess advance credit payments. The alternative calculation will generally allocate half of the adjusted gross income on the return to each spouse and can be used to reduce excess advance credit payments, but not to increase net PTC.

See the instructions for Form 8962, Premium Tax Credit, for eligibility. If eligible, taxpayers will complete Form 8962, Part 5, Alternative Calculation of Year of Marriage.



# U.S. Citizens Living Abroad

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## How does the Affordable Care Act affect U.S. citizens living abroad?

U.S. citizens living abroad are subject to the individual shared responsibility provision. However, U.S. citizens who are not physically present in the United States for at least 330 full days within a 12-month period are treated as having minimum essential coverage for that 12-month period regardless of whether they enroll in any health care coverage.

In addition, U.S. citizens who are bona fide residents of a foreign country (or countries) for an entire taxable year are treated as having minimum essential coverage for that year. In general, these individuals qualify for the foreign earned income exclusion under section 911.

Individuals may qualify for this rule even if they cannot use the section 911 exclusion for all of their foreign earned income because, for example, they are employees of the United States. Individuals that qualify for this rule need take no further action to comply with the individual shared responsibility provision during the months when they qualify.

**Tip** See [Publication 54, Tax Guide for US Citizens and Resident Aliens Abroad](#), for further information on the foreign earned income exclusion

U.S. citizens who do not meet the physical presence or residency requirements must have minimum essential coverage, qualify for a coverage exemption, or make an individual shared responsibility payment when they file their federal income tax returns. Note that minimum essential coverage includes a group health plan provided by an overseas employer.

## What about individuals not lawfully present?

The premium tax credit is not allowed for the coverage of an individual who is not lawfully present in the United States. Further, taxpayers must increase their tax liability to the extent of all advance credit payments made for a not lawfully present individual. If a member of the family is not lawfully present and is enrolled in a qualified health plan with family members who are lawfully present for one or more months of the year, use the instructions in [Publication 974](#) to find out the amount of advance credit payments, if any, that must be repaid. If all family members enrolled in a qualified health plan are not lawfully present, the tax liability must be increased to the extent of all of the advance credit payments made for the coverage of the family members. There is no repayment limitation on excess advance credit payments attributable to the coverage of an individual not lawfully present in the United States. Complete Form 8962 as directed in Publication 974.

## Summary

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The individual shared responsibility provision requires every U.S. taxpayer and their dependent(s) to have qualifying health care coverage, also called minimum essential coverage.

However, beginning in tax year 2019 and subsequent years, taxpayers will no longer report minimum essential coverage, report or claim exemptions, or make any individual shared responsibility payment when filing their federal income tax return as the Tax Cuts & Jobs Act reduces the individual shared responsibility payment to zero.

If a taxpayer or a member of the taxpayer's family enrolled in a qualified health plan through the Marketplace, the taxpayer must reconcile any advance credit payments with their actual premium tax credit on Form 8962, *Premium Tax Credit*. If excess advance credit payments were made on a taxpayer's behalf, the taxpayer will enter the excess amount of advance credit payments on the tax return and increase tax liability by the excess, subject to a repayment cap if the taxpayer's household income is under 400% of the FPL, when filing his or her federal income tax return.

Taxpayers who enrolled themselves, their spouse if filing a joint return, or a person whom they claim as a dependent, in a qualified health plan through a Marketplace will receive Form 1095-A, *Health Insurance Marketplace Statement*. The Form 1095-A will contain the information necessary to complete Form 8962, *Premium Tax Credit*.

The net premium tax credit is claimed in the Payments section of the federal income tax return. Any excess advance credit payments are entered in the Tax and Credits section of the federal income tax return.

### Premium Tax Credit Online Tools

The IRS has an online tool to help you determine if you are eligible for the premium tax credit. Use the Am I eligible to claim the Premium Tax Credit? [Interactive Tax Assistant](#) tool on [IRS.gov](#).

Taxpayer Advocate Service also has a [Premium Tax Credit Change Estimator](#) tool to assist with figuring eligibility and estimating that credit amount as well.

**Applicable taxpayer (for purpose of premium tax credit)** – A taxpayer must be an applicable taxpayer to claim the premium tax credit (PTC). Generally, an applicable taxpayer is one who has household income of at least 100 percent but not more than 400 percent of the Federal poverty line (FPL) for the family size, and cannot be claimed as a dependent. If the taxpayer is married at the end of the year, the taxpayer must file a joint return to be an applicable taxpayer unless an exception is met.

A taxpayer with household income below 100 percent of the FPL is an applicable taxpayer if all of the following requirements are met:

- The taxpayer, the taxpayer's spouse or a dependent enrolled in a qualified health plan through a Marketplace.
- The Marketplace estimated at the time of enrollment that the taxpayer's household income would be between 100 percent and 400 percent of the FPL for the taxpayer's family size.
- Advance credit payments were made for the coverage for one or more months during the year.
- The taxpayer otherwise qualifies as an applicable taxpayer.

A taxpayer with household income below 100 percent of the FPL can be an applicable taxpayer as long as the taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.

**Coverage Family** – The coverage family includes all members of the taxpayer's tax family (the taxpayer, the taxpayer's spouse if filing a joint return, and the taxpayer's dependents) who are enrolled in a qualified health plan and are not eligible for minimum essential coverage (other than coverage in the individual market). (See below for the definition of the individual market.) The members of the coverage family may change from month to month. A taxpayer is allowed a premium tax credit only for health insurance purchased for members of the coverage family.

**Domestic abuse** – Domestic abuse includes physical, psychological, sexual, or emotional abuse, including efforts to control, isolate, humiliate, and intimidate, or to undermine the victim's ability to reason independently. All the facts and circumstances are considered in determining whether an individual is abused. Abuse of the victim's child or any family member living in household may constitute abuse of the victim.

**Exchange** – See Marketplace.

**Family size** – Family size is the number of individuals in the taxpayer's tax family.

**Federal Poverty Line (FPL)** – FPL is an income amount considered poverty level for the year, adjusted for family size. The Department of Health and Human Services (HHS) determines the federal poverty guideline amounts annually. The government adjusts the income limits annually for inflation.

**Form 1095-A, Health Insurance Marketplace Statement** – Form 1095-A is used to report certain information to the IRS about individuals who enroll in a qualified health plan through a Marketplace. Form 1095-A, Health Insurance Marketplace Statement, also is furnished to individuals to allow them to claim the premium tax credit, to reconcile the credit on their returns with advance payments of the premium tax credit (advance credit payments), and to file an accurate tax return.

**Form 1095-B, Health Coverage** – Form 1095-B is used to report certain information to the IRS and to taxpayers about individuals who are covered by minimum essential coverage and therefore are not liable for the individual shared responsibility payment. Most taxpayers will receive Form 1095-B beginning in 2016 for coverage in 2015.

**Form 1095-C, Employer Provided Health Insurance Offer and Coverage** – Employers with 50 or more full-time employees use Form 1095-C to report information about offers of health coverage and enrollment in health coverage for their employees. Form 1095-C is used to report information about each employee. Taxpayers will receive Form 1095-C beginning in 2016 for employer coverage offered in 2015.

**Health Insurance Marketplace** – See Marketplace.

**Household income** – The sum of the taxpayer's modified adjusted gross income (MAGI), the spouse's MAGI (if Married Filing Jointly), and the MAGI of all dependents required to file a tax return, because the dependent's income meets the income tax return filing threshold.

**Incarceration** – The taxpayer can claim a coverage exemption for a member of the tax household for any month in which the individual was incarcerated for at least 1 day in the month. An individual is incarcerated if he or she was confined, after the disposition of charges, in a jail, or similar penal institution or correctional facility.

**Individual market** – The insurance market that provides private, individual (non-group) health insurance coverage to individuals who purchase health insurance on their own. This includes qualified health plans offered through the Marketplace. Each individual generally must pay the entire cost of the health insurance premium, but certain individuals may be eligible for insurance premium subsidies for coverage offered through the Marketplace.

**MAGI** – See Modified Adjusted Gross Income.

**Marketplace (also: Exchange, Health Insurance Marketplace)** – A governmental agency or nonprofit entity that makes qualified health plans available to individuals. The term "Marketplace" refers to state Marketplaces, regional Marketplaces, subsidiary Marketplaces, and a federally-facilitated Marketplace.

**Married taxpayers (for purposes of the premium tax credit)** – If a taxpayer is married at the end of a tax year, the taxpayer generally must file a joint return with his or her spouse to claim the premium tax credit for the tax year. A joint return is not required if the taxpayer meets one of the two exceptions below:

- Exception 1 (Head of Household filing status). If taxpayer was not divorced or legally separated at the end of the year, he or she is considered unmarried if all of the following apply:
  - The taxpayer lived apart from spouse for the last 6 months of the year. (Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.)
  - The taxpayer filed a separate return from spouse.
  - The taxpayer paid over half the cost of keeping up his or her home for the year.
  - The taxpayer home was the main home of the taxpayer's child, stepchild, or foster child for more than half of the year. (Temporary absences for special circumstances, such as for school, vacation, medical care, military service, and detention in a juvenile facility, count as time lived in home.)
  - The taxpayer can claim the child as a dependent or could claim the child as a dependent except that the child's other parent can claim him or her under the rule for children of divorced or separated parents.
- Exception 2. If taxpayer is a victim of domestic abuse or abandonment and does not qualify to use Head of Household filing status, the taxpayer may claim a premium tax credit if he or she files a return as Married Filing Separately and meets the following:
  - The taxpayer is living apart from his or her spouse at the time the taxpayer filed the current year tax return.
  - The taxpayer is unable to file a joint return because he or she is a victim of domestic abuse or spousal abandonment.
  - The taxpayer certifies on the return that the taxpayer is a victim of domestic abuse or spousal abandonment.

**Medicaid expansion** – The health care law provides states with additional federal funding to expand their Medicaid programs to cover adults under 65 who make up to 138 percent of the federal poverty level. Children (18 and under) are eligible up to that income level or higher in all states.

The U.S. Supreme Court ruled that the Medicaid expansion is voluntary with states. As a result, some states have not expanded their Medicaid programs. Many adults in those states with incomes below 100 percent of the federal poverty level fall into a gap. Their incomes are too high to get Medicaid under their state's current rules but their incomes are too low to qualify for the premium tax credit.

**Minimum essential coverage (MEC)** – Coverage under a government-sponsored program, an eligible employer-sponsored plan, a plan in the individual market, a grandfathered health plan, or other coverage recognized by the Department of Health and Human Services (HHS), in coordination with the Secretary of the Treasury, as minimum essential coverage.

**Modified Adjusted Gross Income (MAGI) (for purposes of the premium tax credit)** – MAGI is a taxpayer's adjusted gross income plus certain income that is not subject to tax (foreign earned income, tax-exempt interest, and social security benefits not included in income).

**Premium tax credit (PTC)** – A tax credit for certain people who enroll in a qualified health plan offered through the Marketplace (Exchange). The credit reduces the amount of tax the taxpayer owes. It may also give the taxpayer a refund or increase the refund.

If applicable, the taxpayer is allowed a credit amount for any month during the year that the taxpayer or one or more of the taxpayer's family members [spouse or dependent(s)] were:

- Enrolled in one or more qualified health plans through a Marketplace;
- Not eligible for other minimum essential coverage.

**Qualified health plan** – A health plan certified by the Department of Health and Human Services to be offered through the Marketplace. Qualified health plans offered through the Marketplace must be one of four tiers, or “metal levels” – bronze, silver, gold, or platinum. Individuals and families can choose from a variety of qualified health plans, as well as catastrophic plans for young adults and those without affordable options.

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**Recognized religious sect** – For purposes of the individual shared responsibility provision, a religious sect that has been in existence since December 31, 1950, that is recognized by the Social Security Administration (SSA) as conscientiously opposed to accepting any insurance benefits, including Medicare and social security. Members of a recognized religious sect qualify for a coverage exemption.

**Required contribution (for purposes of the premium tax credit)** – If an individual is eligible for minimum essential coverage through an employer, the required contribution is the portion of the annual premium that the individual would pay for self-only coverage.

**Required contribution (for purposes of the unaffordable coverage exemption)** – If an individual is eligible for employer coverage, the required contribution is the portion of the annual premium that the individual would pay for self-only coverage. If an individual's family member is eligible for coverage through the individual's employer, the required contribution for any member of the family is the portion of the annual premium that the individual must pay for the lowest cost coverage that would cover everyone in the family who is not otherwise exempt from the individual shared responsibility provision. For individuals not eligible for employer coverage, the required contribution is the annual premium for the lowest cost bronze plan available in the individual market through the Marketplace in the state in which the individual resides, reduced by the amount of the premium tax credit that would have been allowed if the individual had enrolled in a qualified health plan.

**Second Lowest Cost Silver Plan (SLCSP)** – The second lowest cost silver plan offered through the Marketplace for the rating area in which the taxpayer resides. A taxpayer who enrolled in a qualified health plan through the Marketplace will receive Form 1095-A, *Health Insurance Marketplace Statement*, from the Marketplace which will include the monthly premiums for the SLCSP. This figure is used on Form 8962, Premium Tax Credit, to calculate the amount of the premium tax credit that the taxpayer is allowed.

**Self-only coverage** – (for the purpose of determining if coverage is unaffordable in order to claim a coverage exemption) – If a member of a tax household is eligible for self-only coverage under his or her employer's plan, the required contribution amount is the amount the individual would pay (whether through salary reduction or otherwise) for the lowest cost self-only coverage.

**Shared responsibility payment (SRP)** – If the taxpayer or any other member of the tax household did not have either minimum essential coverage or an exemption for any month during the tax year, the taxpayer will owe a shared responsibility payment. For 2019 and subsequent tax years, the SRP is zero.

**Spousal abandonment** – A taxpayer is a victim of spousal abandonment for a taxable year if, taking into account all facts and circumstances, the taxpayer is unable to locate his or her spouse after reasonable diligence.

**Tax household (for purposes of the individual shared responsibility provision)** – Tax household includes the taxpayer, the taxpayer's spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also includes each person the taxpayer can, but does not, claim as a dependent.

**Unaffordable coverage (for purposes of the premium tax credit)** – Coverage is considered unaffordable if the individual's required contribution (see definition above) for employer-sponsored coverage is more than a certain percentage of household income. If employer coverage is considered unaffordable for an individual, the individual may qualify to claim the premium tax credit if other requirements are met.





