

Tax Filing and the Affordable Care Act

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covering
Wisconsin
Connect to Care, Engage in Health

AARP Tax-Aide Nationwide

- Who is AARP Tax-Aide?
- A group of approximately 35,000 volunteers who prepare income tax returns for individuals (Tax Counseling For The Elderly, TCE)

AARP Tax-Aide Wisconsin

- Wisconsin: Approximately 1,000 volunteers
- Approximately 100 community based sites all across the state

AARP Tax-Aide Wisconsin

- Last year in Wisconsin, we prepared approximately 50,000 tax returns
- We helped taxpayers file for almost \$30 million in income tax refunds

Covering Wisconsin



- One project is the Wisconsin Navigator Collaborative, leads Health Insurance Marketplace outreach and enrollment activities in 23 Wisconsin Counties

Tax Advice Disclaimer

AARP Tax-Aide does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

Overview of the Affordable Care Act (ACA)

- ACA was enacted in 2010
- The income tax implications were first implemented on 2014 income tax returns
- We are now in our third year

Overview of ACA

- Everyone must have Minimum Essential Coverage (MEC)
 - Exemptions are available

What is MEC?

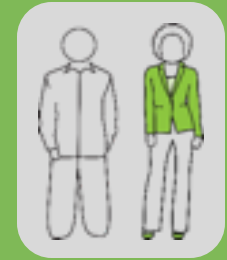
- You tell me, you are the insurance people
- I'm the tax guy

IRS Statistics Regarding MEC

For taxpayers served by VITA and Tax-Aide:

- 91% of people had full year coverage (employer insurance, Medicare, other government insurance [Medicaid, Badger Care], Marketplace or other private insurance)

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- Meaning 9% did not have a full year of coverage (approximately 450,000 - 500,000 people in Wisconsin)
- May have to pay a penalty
- Vulnerable and hard to reach population

What makes the ACA Affordable?

- For many people, it is the Premium Tax Credit (PTC)

What makes the ACA Affordable?



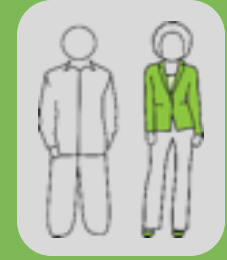
- And, Cost-Sharing Reduction

There are special silver plans for people with lower income that have lower out-of-pocket costs

Premium Tax Credits

- Premium Tax Credits (PTC) are available to help some people pay for coverage
 - Most people receive these credits on a monthly basis to reduce the monthly premium

Premium Tax Credits



Requirements to qualify for premium tax credits:

1. Enroll in insurance from healthcare.gov
2. Do not get affordable insurance from work
3. Do not qualify for Medicaid
4. Cannot be claimed as a dependent by another person (married couples file jointly)
5. Low to moderate income

HEALTH INSURANCE MARKETPLACE \$\$\$
also known as: Obamacare, healthcare.gov, the Marketplace
PREMIUM TAX CREDITS

HealthCare.gov

Premium tax credits help you pay for some or all of your monthly premiums for health insurance. The less you make, the more credits you can get.

Example Conrad and Seniya

Conrad and Seniya live in Milwaukee, and they can't get health insurance from work. They make \$43,000 / year. Using their tax credits, they found a plan for \$175 / month.

Monthly premium: \$650

Tax credit: - \$475

Final monthly cost: \$175

You Qualify for Premium Tax Credits if ... ✓✓✓✓✓

(you must meet all of these requirements)

☐ ...you buy insurance from the Health Insurance Marketplace. HealthCare.gov

☐ ...you do not get affordable health insurance from your work.

What is "affordable" health insurance from your work?
 The lowest-cost employer plan must be less than 9.09% of the total family income for the employee only. This means that if your plan from work is affordable for the employee, but not for the family (two or more people), the family cannot get premium tax credits from the Marketplace.

☐ ...you do not qualify for BadgerCare Plus, or other Medicaid programs.

☐ ...you cannot be claimed as a dependent by another person. (Married couples must file a joint tax return.)

☐ ...you have a low to moderate household income (check chart below).

The health plan at my work is more than 9.09% of my salary.

I make too much money to qualify for BadgerCare Plus.

| Number of people in household | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| 2015 Yearly Salary | \$11,670 - \$46,680 | \$15,730 - \$62,920 | \$19,790 - \$79,160 | \$23,850 - \$95,400 | \$27,910 - \$111,640 |

This project is supported by Wisconsin Health Information Organization, Inc. and is not to be confused with Wisconsin Health Information Organization, Inc. Wisconsin Department of Health Services.

Reconciling the APTC

When you file your income tax return in the following year, you will effectively reconcile the Advanced Premium Tax Credit (APTC) you received with your actual income

Reconciling the APTC

In late January or early February of the following year, you will receive IRS Form 1095-A from the Marketplace

Form 1095-A **1095-A Example** ☐ VOID ☐ CORRECTED **2015**

Department of the Treasury
Internal Revenue Service

► Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a.

Part I Recipient Information

| | | |
|-----------------------------|--------------------------------------|---|
| 1 Marketplace identifier | 2 Marketplace-assigned policy number | 3 Policy issuer's name |
| 4 Recipient's name | 5 Recipient's SSN | 6 Recipient's date of birth |
| 7 Recipient's spouse's name | 8 Recipient's spouse's SSN | 9 Recipient's spouse's date of birth |
| 10 Policy start date | 11 Policy termination date | 12 Street address (including apartment no.) |
| 13 City or town | 14 State or province | 15 Country and ZIP or foreign postal code |

Part II Covered Individuals

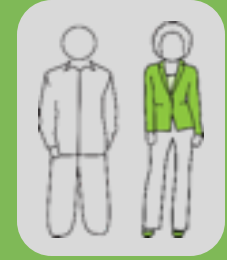
| A. Covered individual name | B. Covered individual SSN | C. Covered individual date of birth | D. Coverage start date | E. Coverage termination date |
|----------------------------|---------------------------|-------------------------------------|------------------------|------------------------------|
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |

Reconciling the APTC

ABSOLUTELY CRITICAL:

- If you receive a Form 1095-A, you must file an income tax return regardless of whether you are otherwise required to file
- If you do not file an income tax return reconciling your 1095-A, you will lose your APTC early in the following year and your premiums will increase dramatically

Need to File Taxes




- During enrollment appointments let consumers signing up for Marketplace insurance know they will have to file taxes, even if they normally do not
- Share tax information with consumers during renewal appointments


Taxes

Don't Lose Your Health Insurance Discount!

If you get financial help from the Marketplace... (also called premium tax credits)




premium tax credits



...you will need to do your taxes every year.

This is true even if you don't have to pay taxes because your income is too low.



You have 3 ways to do your federal taxes:

A. Use an online tax program

- Go to the IRS website to find free, online filing:

irs.gov/uac/Free-File-Do-Your-Federal-Taxes-for-Free

No Internet?
Visit a local library.



Tax Questions?
Call the IRS:
800-829-1040



B. Get free, in-person help

- Call 211 and ask for free, in-person tax help near you:

 **Call 2-1-1**

Ask about the following:

- Volunteer Income Tax Assistance (VITA). Sites usually run from February - April.
- Tax Counseling for the Elderly (TCE). Helps all ages, February - April.

C. Go to a tax preparer

- Look in the yellow pages under: "Tax Preparation"
- Or, go to Google and search: "Tax Preparation, near me"
- Call and ask how much they charge for tax preparation, and how soon they can help.



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Reconciling the APTC

So, what happens when you enter the information from 1095-A and reconcile your APTC

1. Either your APTC was too low, in which case you will receive a refundable credit on your income tax return (decreases the amount due or increases the refund) OR
2. Your APTC was too high, in which case you must now repay the government for the excess APTC

Rarely will your APTC be exactly right

IRS Statistics Regarding the PTC

For the VITA and Tax-Aide Programs:

- 4.5% Claimed Premium Tax Credit
 - 63% Excess APTC Repayment (Avg. \$582)
 - 37% Net PTC Refunds (Avg. \$587)

Income Changes



- What causes your APTC to be incorrect?
 - Changes in: projected income and family size.
 - Contact the Marketplace to advise them of changes. Your tax credit and premium will either go up or down.

HEALTH INSURANCE MARKETPLACE
also known as: Obamacare, healthcare.gov, the Marketplace

ACCOUNT INFORMATION

☐ **Enrollment Completed**
We completed your enrollment in a Marketplace health insurance plan.
Marketplace Application ID#: _____

☐ **Information Needed**
More information is needed. Please provide the following documents to the Health Insurance Marketplace. See your Eligibility Determination for details.

HealthCare.gov

Date: ____/____/____

Upload (or mail) these documents: _____

1. Account Information

A. New or existing Email
My Email Address: _____ @ _____ Password: _____

B. Marketplace Account
My Marketplace User Name: _____ (same as Email Address) Password: _____
Application completed: ☐ online ☐ paper ☐ phone

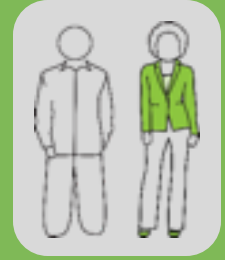
Security Question #1: _____ Answer #1: _____
Security Question #2: _____ Answer #2: _____
Security Question #3: _____ Answer #3: _____
Security Question #4: _____ Answer #4: _____

C. Authorized Representative: _____
Date of request: ____/____/____ Number of days: _____

Keep this in a safe, private place that you can remember.

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Getting People Covered



- Our goal is getting people covered (and have access to health care), but that may not be the consumer's priority
- Let's take a look at what happens when people remain uninsured

Shared Responsibility Payment

- If you do not have Minimum Essential Coverage (MEC) for the entire year AND you do not qualify for an exemption, you must make a Shared Responsibility Payment (SRP)
- Fine, fee, penalty
- The SRP is due for yourself and all individuals claimed as dependents on your return who also did not have an exemption

Shared Responsibility Payment

- See Line 61 of IRS Form 1040

| | | | | |
|-----|--|-----|--|--|
| 57 | Self-employment tax. Attach Schedule SE | 57 | | |
| 58 | Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919 . . . | 58 | | |
| 59 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . | 59 | | |
| 60a | Household employment taxes from Schedule H | 60a | | |
| b | First-time homebuyer credit repayment. Attach Form 5405 if required | 60b | | |
| 61 | Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/> | 61 | | |
| 62 | Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) _____ | 62 | | |
| 63 | Add lines 56 through 62. This is your total tax ► | 63 | | |

Shared Responsibility Payment

- First year was relatively pain free:
\$95.00/\$47.50/\$285.00
- Second year stung a little more:
\$325.00/\$162.50/\$975.00
- 2016 is really going to hurt:
\$695.00/\$347.50/\$2,085.00
- SRPs will continue to increase with Cost of Living Adjustment (COLA)

IRS Statistics Regarding SRP

For taxpayers served by VITA and Tax-Aide, 2015 tax returns:

- 4.50% of taxpayers paid a SRP
- The average paid was \$339

Exemptions

- Certain exemptions can be requested from the Marketplace
- Certain exemptions can be claimed on the tax return
- In the past, some exemptions were available in both places, this is changing

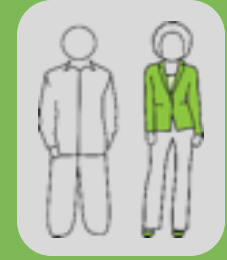
Common Marketplace Exemptions

- Members of certain religious sects
- Most common in Wisconsin
 - Amish
 - Mennonite

Common Marketplace Exemptions

- General Hardship
 - Homelessness
 - Eviction in last 6 months or facing eviction or foreclosure
 - Utility shutoff notice
 - Bankruptcy in last 6 months
 - Significant debt from medical expenses in the last 24 months
 - Others

Marketplace Exemptions



- Consumers fill out a form and submit it to healthcare.gov (enrollment assisters can help with this process)
- If healthcare.gov determines that they qualify, they will receive a certificate number to put on their tax return to claim the exemption

Marketplace Exemptions

What if your client believes they will qualify for a Marketplace exemption but has not submitted the form?

Marketplace Exemptions

Two choices:

1. Complete the return without the exemption, pay the SRP and amend the return if the exemption is granted OR
2. Submit the form before filing the tax return, on the tax return note that the exemption is PENDING, which assumes that the exemption will be granted

Tax Return Exemptions

- Much more common than Marketplace exemptions

Common Tax Return Exemptions

Household income below filing threshold (Exemption 7a)

OR

Gross income below filing threshold (Exemption 7b)

Common Tax Return Exemptions

2015 Filing Thresholds:

Single, under 65: \$10,300

Married filing joint,

Both under 65: \$20,600

Common Tax Return Exemptions

Short-term coverage gap:

If you went without coverage for less than 3 consecutive months during the year, you may claim an exemption for 2 months

Common Tax Return Exemptions

Not lawfully present in the U.S.

AND

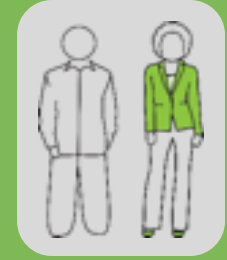
Not a U.S. citizen or U.S. national

Common Tax Return Exemptions

Affordability

- Can be one of the most difficult of the exemptions to figure out
- Over simplifying: For 2015, if insurance premiums were more than 8.05% of your income, they were deemed to be unaffordable

Affordability



- Look at the premiums of plans with minimal essential coverage available to you, either employer coverage or the national average of the lowest price bronze plan
- Note the difference in percentages

| | | |
|-------------------|---------------------------|----------------------------------|
| Premium more than | 8.05% of household income | don't have to pay tax penalty |
| Premium more than | 9.66% of household income | eligible for premium tax credits |

Exemptions



- Most helpful for consumers to know before preparing taxes
- Could also be used to explain exemptions during tax filing appointment
- Draft, input appreciated

Tax Penalty

Can I get an exemption?

Most people who don't have health insurance will pay a fee or qualify for an exemption.

1. What is an exemption?

You don't have to pay a fee.

People can get health insurance exemptions for certain life events. Some exemptions cover a full year, some just certain months.

2. Can I get an exemption?

The online exemption tool helps you see if you qualify for an exemption and tells you how to apply for it.

healthcare.gov/exemptions-tool

3. How do I apply for the exemption?

You will have to contact the Marketplace or claim your exemption on your tax return.

Check the back to find out which option will work for you.



Health Insurance Marketplace

also known as: Obamacare and the Affordable Care Act (ACA)



HealthCare.gov

4. Can I sign up for Marketplace health insurance?

Open Enrollment: **Nov. 1 - Jan. 31**. Call 2-1-1 for local help.

Missed the deadline?

■ **Loss of coverage**
Loss of employer coverage from a job, turning 26 and losing parent's insurance, or other

■ **Release from incarceration**

Sign up within 60 days of:

■ **Changes in household size**
Birth or adoption, marriage, divorce, legal separation, death

■ **Immigration**
Gain of citizenship or lawful presence in the U.S.

■ **Moving**

A permanent move out of county that results in access to new plans

■ **Tribal Membership**

Members of a federally recognized tribe may enroll at any time



Need help applying for an exemption? Call 2-1-1 and ask for a local health insurance enrollment assister.

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Overview



- Goal is getting people covered
- Remind consumers to report changes throughout the year and file taxes
- If they are uninsured, do they qualify for an exemption?
- Determine at what point in the process you interact with consumers and how you can help the process

Tax Filing and the ACA

Questions?