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 that explains how taxpayers satisfy the individual shared responsibility provision by enrolling in minimum essential coverage, qualifying for a coverage exemption, or making a shared responsibility payment for any month without coverage or an exemption. It also provides information about the premium tax credit. A glossary is included to help taxpayers understand some terms related to the health care law.

Reminder from the IRS: If you need health coverage, visit 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.

The ACA tax filing requirements are the same as last year.

- Taxpayers who enrolled in coverage through the Health Insurance Marketplace in 2015 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.
- Taxpayers who have a filing requirement and had coverage for the full year should check the box on their tax return that indicates that everyone claimed on the return had full year coverage.
- Taxpayers who did not have coverage for the full year should request any applicable coverage exemption or make an individual shared responsibility payment when they file.

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*
- **Form 8965,** *Health Coverage Exemptions & Instructions*

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 for information about electronic filing options, including Free File.

What publications may be useful?

- **Publication 17,** *Your Federal Income Tax (For Individuals)*
- **Publication 974,** *Premium Tax Credit*
- **Publication 5201,** *The Health Care Law and Your Taxes*

The **IRS resource page** on IRS.gov/aca is routinely updated as new publications are issued.

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 creates 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, or a member of the taxpayer's family for whom the taxpayer claims a personal exemption, 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. 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. If taxpayers and their dependents had minimum essential coverage for each month of the year, the taxpayer will simply check a box indicating that coverage when filing the federal income tax return. No further action is required.

Some taxpayers are exempt under the individual shared responsibility provision and do not have to make a shared responsibility payment when filing a federal income tax return. Coverage exemptions are available for religious, economic, or other reasons. Most coverage exemptions can be claimed when the return is filed. Taxpayers do not need to call or obtain these exemptions exemption from the IRS in advance of filing their returns. Exemptions that you can claim on your tax return include exemptions for lack of affordable coverage, a short coverage gap, non-citizens not lawfully present in the United States, and certain citizens living abroad. If you do not have coverage and your income is below the filing threshold for your filing status, you and your family are exempt and you will not have to make a shared responsibility payment.

Certain exemptions from the individual shared responsibility provision are granted only by the Marketplace. You may apply for these exemptions by filling out an exemption application and sending it to the Marketplace before you file your return. If the Marketplace grants your coverage exemption, it will send you a notice with your unique Exemption Certificate Number. Keep this notice with your other important tax information. Taxpayers who qualify for an exemption will file a Form 8965, *Health Coverage Exemptions*, with their federal income tax return to claim that exemption.

Taxpayers who did not have minimum essential coverage or an exemption for each month of the tax year for themselves and any family members must make an individual shared responsibility payment with their federal tax return.

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), or
- Qualify for a coverage exemption, or
- Make an individual shared responsibility payment when filing their federal income tax return

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 is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes. Thus, children must have minimum essential coverage or qualify for a coverage exemption for each month in the year. Otherwise, the primary taxpayer(s) (parents, for example) who can claim the child as a dependent for federal income tax purposes will owe an individual shared responsibility payment if the child does not have coverage or an exemption.

Senior citizens must also have minimum essential coverage or qualify for a coverage exemption for each month in the year. Both Medicare Part A and Medicare Part C (also known as Medicare Advantage) are minimum essential coverage.

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:

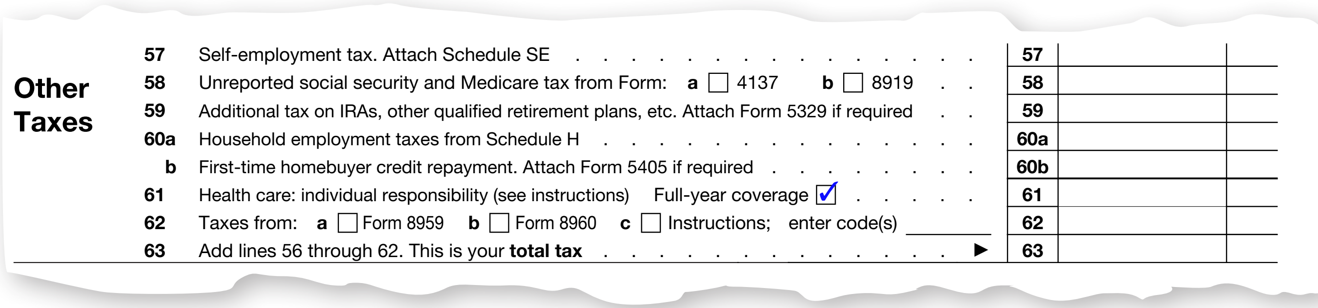
- Specified government-sponsored programs (for example, Medicare Part A, Medicare Advantage, most Medicaid programs, CHIP, most TRICARE programs, and comprehensive health care coverage of veterans)
- Employer-sponsored coverage under a group health plan (including self-insured plans)
- Individual market 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 chart that shows these and other types of coverage that qualify as minimum essential coverage and some that do not.

How will taxpayers report minimum essential coverage?

Taxpayers whose entire tax household had minimum essential coverage for each month of their tax year will indicate this on their federal income tax return by simply checking a box on their Form 1040, 1040A or 1040EZ. No further action is required.

Form 1040 Other Taxes section showing line 61 “full-year coverage” checked



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If anyone in the taxpayer’s household did not have minimum essential coverage for each month of the year, the taxpayer will claim a coverage exemption or calculate an individual shared responsibility payment. Taxpayers can find out if they qualify for a coverage exemption or must make a payment by using our interactive tool, the Interactive Tax Assistant, on IRS.gov.

What are the health coverage exemptions?

The following is a partial list of exemptions:

- **Coverage is considered unaffordable –** The amount the taxpayer would have paid for the lowest cost employer-sponsored coverage available or for coverage through the Marketplace is more than a certain percentage of the taxpayer’s household income for the year.
- **Short coverage gap –** The taxpayer went without coverage for less than three consecutive months during the year.
- **Income below the return filing threshold –** The taxpayer’s gross income or household income is below the taxpayer’s minimum threshold for filing a tax return.
- **Certain noncitizens – –** The taxpayer was not lawfully present in the U.S. and not a U.S. citizen or U.S. national.
- **Members of a health care sharing ministry –** The taxpayer was a member of a health care sharing ministry, which is a tax-exempt organization whose members share a common set of ethical or religious beliefs and have shared medical expenses in accordance with those beliefs continuously since at least December 31, 1999.
- **Members of Indian tribes –** The taxpayer was a member of a federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or is otherwise eligible for services through an Indian health care provider or the Indian Health Service.
- **Incarceration –** The taxpayer was in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.
- **Members of certain religious sects –** The taxpayer was a member of a religious sect that has been in existence since December 31, 1950, and is recognized by the Social Security Administration as conscientiously opposed to accepting any insurance benefits, including Medicare and social security.
- **Residents of a state that did not expand Medicaid –** The taxpayer had household income below 138 percent of the federal poverty line and resided in a state that did not participate in Medicaid expansion under the ACA.

There are also exemptions for certain hardships. In general, an event or condition that prevents an individual from obtaining minimum essential coverage, such as:

- The taxpayer is ineligible for Medicaid solely because the state in which the individual resides does not participate in the Medicaid expansion under the Affordable Care Act.
- **General hardship –** The taxpayer experienced a hardship that prevented him or her from obtaining coverage under a qualified health plan.
- **Coverage considered unaffordable based on projected income –** The taxpayer did not have access to coverage that is considered affordable based on the taxpayer's projected household income.

See the chart on IRS.gov/aca for a complete list of exemptions, including a description of additional hardship circumstances and certain transition relief effective for 2014.

If taxpayers think they qualify for a coverage exemption, how do they obtain it?

How taxpayers receive a coverage exemption depends upon the type of exemption for which they are eligible. Some exemptions are granted only by the Marketplace, others are claimed only on a tax return, and some exemptions may be obtained from the Marketplace or claimed on a return.

If you do not have coverage and your income is below the filing threshold for your filing status, you and your family are exempt and you will not have to make a shared responsibility payment. In this situation, you do not have to file a return to claim the coverage exemption. However, if you choose to file a return, then you will complete Part II (Coverage Exemptions for Your Household Claimed on Your Return) of Form 8965. Exemptions that you can claim on your tax return include exemptions for unaffordable coverage, short coverage gap, noncitizens not lawfully present in the United States, certain citizens living abroad, members of a health care sharing ministry, members of an Indian tribe, and incarceration.

Taxpayers claim coverage exemptions on Form 8965, *Health Coverage Exemptions,* and file it with Form 1040, Form 1040A or Form 1040EZ. These forms can be filed electronically. Taxpayers should visit IRS.gov for additional filing options, including Free File.

How will taxpayers report health care coverage exemptions obtained from the Marketplace?

Requests for exemptions that can be granted only by the Marketplace should be submitted as soon as possible, so that taxpayers can properly report the exemption on their federal income tax return.

Taxpayers who are eligible for an exemption from the Marketplace apply for it by filling out an exemption application and mailing it to the Marketplace. Taxpayers granted a coverage exemption by the Marketplace will receive an exemption certificate number (ECN) to be used in Part I (Marketplace-Granted Coverage Exemptions for Individuals) of Form 8965, Health Coverage Exemptions, column c.

How will taxpayers claim coverage exemptions with the IRS?

Taxpayers will use Part II (Coverage Exemptions for Your Household Claimed on Your Return) of Form 8965 to claim a coverage exemption with the IRS if they have income below the filing threshold.

Other coverage exemptions may be claimed with the IRS using Part III (Coverage Exemptions for Individuals Claimed on Your Return) of Form 8965. Use a separate line for each individual and exemption type claimed on the return.

What is the individual shared responsibility payment?

If anyone in the taxpayer's tax household does not have minimum essential coverage, and does not qualify for a coverage exemption, the taxpayer will need to make an individual shared responsibility payment (SRP) when filing their federal income tax return.

Although the process to determine the amount of the SRP is described in detail below, using tax preparation software is an easy way to determine the payment.

The annual SRP amount is a percentage of household income in excess of the return filing threshold or a flat dollar amount, whichever is greater, but is capped at the national average premium for a bronze level qualified health plan available through the Marketplace that would cover everyone in the tax household who does not have coverage and does not qualify for a coverage exemption.

Taxpayers owe 1/12th of the annual SRP for each month they or their dependent(s) do not have coverage and do not qualify for a coverage exemption.

For 2015, the annual SRP amount is the greater of

- 2 percent of the household income that is above the tax return filing threshold for the taxpayer's filing status, or
- The family's flat dollar amount, which is $325 per adult and $162.50 per child (under age 18), limited to a family maximum of $975.

The SRP is capped at the national average premium for a bronze level qualified health plan available through the Marketplace in 2015 that would cover everyone in the tax household who does not have coverage and does not qualify for a coverage exemption. For 2015, the monthly national average bronze plan premium is $207 per individual, with the maximum premium set at $1,035 for a family of five or more people.

For 2016 and subsequent years, the excess income amount will be 2.5 percent of household income. For 2016, the applicable dollar amount will be $695 per adult. After 2016, the applicable dollar amounts may increase with cost-of-living adjustment.

Taxpayers must know their household income and applicable income tax return filing threshold to calculate the SRP amount owed. See the Filing Requirement Threshold information on IRS.gov/aca. Taxpayers should use the worksheets located in the Instructions to Form 8965, *Health Coverage Exemptions,* to figure the SRP amount due.

These examples are used only to represent the mechanics of calculating the individual SRP and are not estimates of current or future health insurance premium costs. For information on the cost of bronze level plans, visit HealthCare.gov.

Example

Single individual with $40,000 income:

Jim, an unmarried 30-year-old with no dependents, did not have minimum essential coverage for any month during 2015 and does not qualify for a coverage exemption. For 2015, Jim's household income is $40,000 and his filing threshold is $ 10,300. The monthly national average bronze plan premium for an individual is $207.

- To determine his payment using the income formula, subtract $ 10,300 (filing threshold) from $40,000 (2015 household income) and multiply the result ($29,700) by 2 percent. Two percent of $ 29,700 is $594.
- Jim's flat dollar amount is $ 325.

Because $594 is greater than $325, Jim's monthly penalty amount is $49.50 (1/12 of $594 is $49.50). For Jim, the sum of the monthly penalty amounts for 2015 is $594.

The sum of the monthly national average bronze plan premiums for Jim is $2,484 (or $207 multiplied by 12). Jim's SRP for 2015 is $594, the lesser of the sum of the monthly penalty amounts or the sum of the monthly national average bronze plan premiums.

Jim will report and pay the SRP for the months he did not have coverage when he files his 2015 income tax return.

Example

Married couple with 2 children:

Eduardo and Julia are married and have two children under 18. They file a joint return for 2015. They did not have minimum essential coverage for any family member for any month during 2015 and no one in the family qualifies for a coverage exemption. For 2015, their household income is $70,000 and their filing threshold is $20,600.

- To determine their payment using the income formula, subtract $20,600 (filing threshold) from $70,000 (2015 household income) and multiply the result ($49,400) by 2 percent. Two percent of $49,400 is $988.
- Eduardo and Julia's flat dollar amount is $975, the applicable dollar amount of $325 per adult and $162.50 per child

Because $988 is greater than $975, Eduardo and Julia's monthly penalty amount is $82.33 for each month the family did not have coverage (1/12 of $988 is $82.33). The sum of the monthly penalty amounts for Eduardo and Julia for 2015 is $988.

The monthly national average bronze plan premium for Eduardo and Julia's family is $828, or $207 multiplied by four. The sum of the monthly national average bronze plan premiums for Eduardo and Julia is $9,936.

Eduardo and Julia's SRP for 2015 is $988, or the lesser of the two sums.

Eduardo and Julia will report and pay the SRP for the months they and their children did not have coverage when they file their 2015 income tax return.

In 2016, these figures increase to 2.5 percent of household income and $695 per adult ($347.50 per child under 18). After 2016, the flat dollar amounts may increase with inflation.

Reminder from the IRS: If you need health coverage, visit 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.

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 a member of your family for whom you claim a personal exemption, were enrolled in health insurance for 2015 through a Marketplace, you will receive a statement from the Marketplace in early 2016 relating to the health insurance coverage. In addition, starting in 2016, if you or a family member enrolled in non-Marketplace coverage for 2015, the health coverage provider or employer through whom you enrolled may provide a statement to you in 2016 to help you accurately report health coverage information for you, your spouse and any dependents when you file your individual income tax return in 2016. 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.

The following examples illustrate when you may get more than one Form 1095 and what to do with the information on those forms.

Example 1

You are single with two dependent children. At the beginning of 2015, you were unemployed, and you and your children were enrolled in coverage through the Marketplace. You received the benefit of advance payments of the premium tax credit to help pay for your coverage. In August of 2015, you started working 40 hours per week for an employer with 300 employees (an applicable large employer) that offered health insurance coverage to you and your children. However, that offer of coverage was considered unaffordable to you for purposes of the premium tax credit, so you did not enroll in it and instead continued your Marketplace coverage with advance payments of the premium tax credit. Early in 2016, you receive Form 1095-A (from the Marketplace) and Form 1095-C (from your employer).

When you complete Form 8962, Premium Tax Credit, you will use the information on Form 1095-A to reconcile advance payments of the premium tax credit and to verify that you had health coverage for the entire year. You will use Form 1095-C to verify that your employer coverage was unaffordable for you. You will not attach Form 1095-A or 1095-C to your return, but you should keep these forms with your tax records.

Example 2

You are single with no dependents. At the beginning of 2015, you were employed by employer A, which has 20 employees (and therefore is not an applicable large employer). You had coverage through A's employer-sponsored plan, which is insurance that A purchases from health insurance issuer Q (i.e., not a "self-insured plan"). In June of 2015, you changed jobs and started working 40 hours per week for employer B, which has 500 employees (and so is an applicable large employer). You immediately began receiving coverage through that employer's plan, which is insurance it purchases from insurance issuer R. Early in 2016, both insurance companies will send you a Form 1095-B providing information about the coverage in which you were enrolled. You also will receive a Form 1095-C from employer B, the applicable large employer, providing information about the health coverage B offered you.

You will use the information on Forms 1095-B to verify that you had health coverage for each month during the year and will check the full-year coverage box on your tax return. You will not need to use Form 1095-C to help complete your return because the information about the offer of health coverage made by your employer relates to whether you are eligible for the premium tax credit and you cannot get a premium tax credit if you were not enrolled in a health plan in the Marketplace. You will not attach Form 1095-B or Form 1095-C to your tax return, but you should keep both forms with your tax records.

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 that introduce the 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 or another person for whom you claim a personal exemption 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 or your state Marketplace website and log into your Marketplace account or call your Marketplace call center.

If you or another person for whom you claim a personal exemption on your tax return 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 2015 health coverage.

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**).

Who can claim a premium tax credit?

Only taxpayers who purchased a qualified health plan for themselves or a person for whom they claim a personal exemption on their tax return from a State-based or Federally-facilitated Health Insurance Marketplace (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 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 (unless the taxpayer is considered unmarried for Head of Household filing status, or meets the criteria in T.D. 9683, which allows certain victims of domestic abuse or spousal abandonment to claim the premium tax credit using the MFS filing status). See the glossary 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.** 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 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 As a result, eligibility for and the amount of a taxpayer's premium tax credit for 2015 is based on the most recently published guidelines at the beginning of the open season for enrollment in 2015, which are the guidelines published in January of 2014.

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.

Example:

David and Melinda are Married Filing Jointly taxpayers. They have one child, Philip, age 17, whom they claim as a dependent. Philip works part time and has income that meets the income tax return filing requirement. David and Melinda's household income calculation would include their MAGI, as well as Philip's MAGI.

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 for whom the taxpayer claims a personal exemption deduction. 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). See the minimum essential coverage chart on irs.gov for more information on the types of coverage that qualify as minimum essential 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. If for 2015 the employee's cost for the employer coverage is more than 9.56 percent of household income (9.5 percent for 2014), 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.

Example:

Cedric is single and has no dependents. When enrolling through the Marketplace during open enrollment, Cedric was not eligible for employer-sponsored coverage.

In August of the tax year, Cedric began a new job and became eligible for employer-sponsored coverage on September 1st. Since Cedric became eligible for employer-sponsored coverage on September 1st, he may be able to claim a premium tax credit only for the months January through August.

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.

Example:

Adele is single with no dependents. She works part-time and has no offer of employer-sponsored health coverage. She projects her income to be $17,500 for the year (roughly 150% of FPL), based on her earnings at the same job in the prior year. She enrolls in a qualified health plan in the Marketplace and is determined eligible for advance credit payments.

Adele's place of employment was closed for two weeks, unexpectedly lowering the number of hours she worked. Her employer also didn't pay an end-of-year bonus that she anticipated. Adele's actual household income for the year was $16,000. This income would make her eligible for Medicaid under her state's eligibility rules. However, based on Adele's projection of income when she enrolled in Marketplace coverage, the Marketplace determined that she was not eligible for Medicaid. Therefore, Adele is treated as not eligible for Medicaid for the year and may be eligible for the premium tax credit

How does the taxpayer get advanced 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 contribution amount is a percentage of the taxpayer's household income determined by multiplying the taxpayer's household income by the applicable figure (from the table in the instructions for Form 8962). The applicable FPL is based on FPL; the higher the FPL, the higher the percentage of household income that constitutes the contribution amount. The contribution amount is an annual amount because it is a percentage of household income, which is an annual amount. 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.

Form **8962** — **Premium Tax Credit (PTC)** — OMB No. 1545-0074 — **2015**

Department of the Treasury Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.
▶ Information about Form 8962 and its separate instructions is at *www.irs.gov/form8962*.

Attachment Sequence No. **73**

Name shown on your return | Your social security number

You cannot claim the PTC if your filing status is married filing separately unless you are eligible for an exception (see instructions). If you qualify, check the box. ☐

Part I — Annual and Monthly Contribution Amount

1 Tax family size. Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d . . . **1**

2a Modified AGI. Enter your modified AGI (see instructions) . . . . . **2a** — **b** Enter the total of your dependents' modified AGI (see instructions) . . . **2b**

3 Household income. Add the amounts on lines 2a and 2b . . . **3**

4 Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3 (see instructions). Check the appropriate box for the federal poverty table used. **a** ☐ Alaska **b** ☐ Hawaii **c** ☐ Other 48 states and DC **4**

5 Household income as a percentage of federal poverty line (see instructions) . . . **5**

6 Did you enter 401% on line 5? (See instructions if you entered less than 100%.)

☐ **No.** Continue to line 7.

☐ **Yes.** You are not eligible to receive PTC. If advance payment of the PTC was made, see the instructions for how to report your excess advance PTC repayment amount.

7 Applicable Figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions . . **7**

8a Annual contribution amount. Multiply line 3 by line 7 . . . . **8a** — **b** Monthly contribution amount. Divide line 8a by 12. Round to whole dollar amount . . **8b**

Part II — Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

9 Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage (see instruction

☐ **Yes.** Skip to Part IV, Shared Policy Allocation, or Part V, Alternative Calculation for Year of Marriage. ☐ **No.** Continue to line 10.

10 See the instructions to determine if you can use line 11 or must complete lines 12 through 23.

☐ **Yes.** Continue to line 11. Compute your annual PTC. Then skip lines 12–23 and continue to line 24. ☐ **No.** Continue to lines 12–23. Comp your monthly PTC and continue to line 24.

Annual Calculation	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)	(d) Annual maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Annual premium tax credit allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (For (s) 1095-A, line 33C
11 Annual Totals						
Monthly Calculation	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21–32, column A)	(b) Monthly applicable SLCSP premium (Form (s) 1095-A, lines 21–32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly contribution)	(d) Monthly maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Monthly premium tax credit allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form 1095-A, lines 21–32 column C)
12 January						
Febr						

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 usedto 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
- Divorce
- Birth or adoption of a child
- 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 for whom they claim a personal exemption, in insurance through the Marketplace. The information statement includes the monthly premium for the applicable SLCSP 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 1095A 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 as well as 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, or a person for whom they claim as a personal exemption, 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 the Payments section of Form 1040. 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 the Tax and Credits section of the return

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%	$750	$1,500
At least 300%, but less than 400%	$1,250	$2,500
400% or more	No limit	No limit

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.

Example:

Brandon Talbot is single and has no dependents. When he enrolled through the Marketplace, Brandon was approved for advance credit payments based on his projected household income of$39,095. The applicable figure for his household income is .095. Brandon's Form 1095-A shows advance credit payments of $1,486. Brandon's actual modified AGI was $46,000, which is more than 400% of the FPL for a family of 1. Since Brandon's household income is above 400% of the FPL, he may not claim the premium tax credit, and must increase his tax liability by $1,486, the advance credit payments made on his behalf. Brandon will complete Form 8962 and enter $1,486 on the excess advance premium tax credit repayment line on his tax return.

What about unusual situations?

For situations listed below, consult the instructions for Form 8962, *Premium Tax Credit Credit,* and **Publication 974**, *Premium Tax Credit.*

For taxpayers who may be eligible to claim the Health Coverage Tax Credit and were enrolled in Marketplace coverage in 2015, go to **IRS.gov/HCTC** for more information.

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 SLCSP, 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 a personal exemption deduction for 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 personal exemption 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 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

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. They will report their status with their federal income tax return on Form 8965.

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

The Affordable Care Act addresses health insurance coverage and financial assistance options for individuals and families, including the premium tax credit. It also includes the individual shared responsibility provision and coverage exemptions from that provision.

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, or
- Qualify for a coverage exemption, or
- Make an individual shared responsibility payment when filing their federal income tax return.

Taxpayers will report minimum essential coverage, report or claim exemptions, or make any individual shared responsibility payment when filing their federal income tax return.

Taxpayers whose entire tax household had minimum essential coverage for each month of their tax year will indicate this on their federal income tax return by checking the box on their Form 1040, 1040A, or 1040EZ. No further action is required.

Taxpayers who did not maintain minimum essential coverage for each month of their tax year may claim a coverage exemption. Form 8965, Health Coverage Exemptions must be used to claim exemptions or report exemptions granted by the Marketplace.

Taxpayers who did not maintain minimum essential coverage for each month of their tax year, or qualify for an exemption from coverage will make a shared responsibility payment. Taxpayers should use the worksheets located in the instructions to Form 8965 to calculate the individual shared responsibility payment amount due. The shared responsibility payment amount due is reported on Form 1040, line 61 in the Other Taxes section, and on the corresponding lines on Form 1040A, and 1040EZ.

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, or a person for whom they claim a personal exemption, 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.

ISRP Online Tools

Go to **Interactive Tax Assistant** under the Tools section on IRS.gov. Use this interactive interview tool to see if you are eligible for a coverage exemption or need to make a shared responsibility payment when you file.

The Taxpayer Advocate Service developed the Individual Shared Responsibility Provision - **Payment Estimator** to help you estimate the amount you may have to pay if you did not have minimum essential coverage or an exemption from the coverage requirement during the year.

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.

Glossary

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 heath 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.

Exemption Certificate Number (ECN) – TThe ECN is the number provided by the Marketplace when it grants a coverage exemption. Taxpayers will list the ECN in Part I (Marketplace-Granted Coverage Exemptions for Individuals) of Form 8965, *Health Coverage Exemptions*, column c.

Tax family – A taxpayer's tax family includes those individuals for whom the taxpayer claims a personal exemption deduction on the tax return (taxpayer, spouse, and dependents).

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

FPL - Federal Poverty Line – 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 beininng 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 this form 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 creditfor 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).

Modified Adjusted Gross Income (MAGI) (for purposes of the individual shared responsibility provision) – F MAGI is a taxpayer's adjusted gross income plus certain income that is not subject to tax (foreign earned income and tax-exempt interest).

National Average Bronze Plan Premium (NABPP) – This figure is used in calculating the shared responsibility payment (SRP). A table of NABPP amounts can be found in the Instructions for Form 8965, *Health Coverage Exemptions*, and in Publication 4012, ACA tab.

Premium tax credit – 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.

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 taxpayerwill owe a shared responsibility payment.

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 individual shared responsibility provision) – Coverage is considered unaffordable if the individual's required contribution (see definition above) is more than a certain percentage (8 percent for 2014) of household income. If coverage is considered unaffordable for an individual, the individual qualifies for a coverage exemption.

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 (9.5 percent for 2014) 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.