

IRS Virtual Town Hall Series:

*The Premium Tax Credit –
What You Need to Know*



The information contained in this presentation is current as of 5/29/2014. For the latest information about tax provisions of the Affordable Care Act, visit IRS.gov/aca.



Virtual Town Hall

Agenda

- Premium Tax Credit (PTC)
 - What is the Premium Tax Credit?
 - Eligibility
 - Income Limits Based on 2013 Federal Poverty Line
 - Key Considerations
 - Changes in Circumstances
 - Forms 1095-A and 8962
 - Reconciliation
 - Repayment Caps
 - Summary
- Resources & Q&A session
 - Glossary of Terms
 - Q&A session



What is the Premium Tax Credit?

- Refundable tax credit
- To help eligible individuals and families pay for health insurance
- Two payment options:
 - Get it **Now** – advance credit payments
 - Get it **Later** – without advance credit payments



Eligibility PTC

To be eligible the individual must:

- **Be an Applicable Taxpayer:**
 - Income between 100 and 400 % FPL (for family size),
 - Cannot be claimed as a dependent, and
 - If married, files a joint return (with some exceptions)
- **Have a “Coverage Month”:**
 - Enrolled in a QHP through a Marketplace,
 - Not eligible for other minimum essential coverage, and
 - Premiums are paid



Income Limits Based on 2013 Federal Poverty Line (FPL)

- One Individual
 - \$11,490 (100% FPL) - \$49,960 (400% FPL)
- Family of Two
 - \$15,510 (100% FPL) - \$62,040 (400% FPL)
- Family of Four
 - \$23,550 (100% FPL) - \$94,200 (400% FPL)

Example: Based on the 2013 FPL, a family of four could have a household income up to and including \$94,200 and still be eligible for the PTC.



PTC Key Considerations

- Advance credit payments are optional.
- Reconciling advance credit payments is required.
- Differences between advance credit payments and the credit are likely.
- Changes in circumstances can affect the PTC amount.
- A tax return *must* be filed.



Changes in Circumstances Can Affect the Credit

- Changes in circumstances can affect:
 - Eligibility for the PTC - even if not previously eligible
 - Amount of the premium tax credit
- Report changes to HealthCare.gov or state marketplace website promptly

Reporting changes will help ensure receipt of the proper amount of advance payments of the premium tax credit



Major Changes in Circumstances

- Marriage, divorce
- Increases or decreases in number of dependents
- Changes in an individual's residence
- Job or other changes increasing or decreasing income
- Loss of other health coverage
- Changes in filing status



Form 1095-A

- Issued by the Health Insurance Marketplace
- Sent by January 31
- Shows:
 - Documentation of coverage by month
 - Premiums, and
 - Advance payments of PTC



Form 8962

- Part 1 – Annual & Monthly Contribution
- Part 2 – PTC Claim & Reconciliation
- Part 3 – Repayment of Excess of Advance Payment
- Part 4 – Shared Policy Allocations
- Part 5 – Alternative Calculation for Marriage



How Does Reconciliation Work?

Advance payments	\$4,000
Calculation of PTC	- <u>\$3,000</u>
Difference	\$1,000

Repayment amount = \$1,000 *

* Amount from Form 8962 that would be entered on Form 1040.

Note: A tax return must be filed to reconcile advance credit payments regardless of any other filing requirement.



What are Repayment Caps?

36B Advance Repayment Limitations

Less than 200%	\$300	\$600
At least 200% - less than 300%	\$750	\$1,500
At least 300% - less than 400%	\$1,250	\$2,500
400% or more	N/A	N/A

Example: Total advance payments \$2,952
 Premium tax credit - \$1,062
 Equals \$1,890*

*But capped at \$1,250, so total amount due is \$1,250



Premium Tax Credit Summary

- Refundable credit for *only* eligible individuals
- Get it **Now** (advance credit payments)

OR

Get it **Later** (without advance credit payments)

- Report changes in circumstances
- Advance credit payments must be reconciled
- Everyone who receives this credit must file a tax return
- Use form 1095A, Form 8962 and Form 1040



Virtual Town Hall

Agenda

- Premium Tax Credit (PTC)
 - What is the Premium Tax Credit?
 - Eligibility
 - Income Limits Based on 2013 Federal Poverty Line
 - Key Considerations
 - Changes in Circumstances
 - Forms 1095-A and 8962
 - Reconciliation
 - Repayment Caps
 - Summary
- Resources & Q&A session
 - Glossary of Terms
 - Q&A session



Resources for PTC

- IRS.gov/aca pages include,
 - PTC and including Q&A section
 - Tax tips and legal guidance
 - Electronic publications 5120, 5121 and 5152
- HealthCare.gov or state Marketplace website for Marketplace information



Glossary of PTC Terms

- **Affordability:** Annual premium for the lowest-cost option of employer-sponsored self-only coverage that provides minimum value and does not exceed 9.5 percent of household income.
- **Minimum Value:** Employer-sponsored plans that cover at least 60 percent of the total allowed costs of benefits.
- **Household Income for PTC:** Primary taxpayer's MAGI, plus every other individual who is claimed as a exemption and who is required to file a federal income tax return.
- **MAGI for PTC:** Adjusted gross income from the federal income tax return, plus any excluded foreign income, non-taxable Social Security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest received or accrued during the taxable year. MAGI does not include Supplemental Security Income (SSI).