

PPACA: The Individual Mandate

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The Individual Mandate

- Effective in 2014, the mandate requires that all applicable individuals carry a “minimum essential” amount of health coverage or pay a shared responsibility penalty for each month of noncompliance.
- Minimum essential coverage generally includes coverage under a qualified employer plan, an individual market plan, Medicare, Medicaid and other government-sponsored coverage.

The Individual Mandate - Continued

Certain groups of individuals will be exempt from the mandate.

Exempt Individuals include (nonexclusive):
Incarcerated individuals
Individuals covered by Medicare or Medicaid
Individuals not lawfully in the United States
Members of an Indian tribe
Those of a religion conscientiously opposed to accepting benefits
Those unable to afford coverage if the cost of the employee contribution to certain plans exceeds eight percent of the individual's household income
Those individuals whose income is below the threshold for filing an income tax return

The Individual Mandate - Continued

- The penalty for those individuals who are not exempt and do not obtain adequate health insurance coverage is calculated as the greater of:
 - An annual flat dollar amount
 - OR
 - A percentage of the individual's household income for the year
 - Imposed on a monthly basis

The Individual Mandate - Continued

- The annual flat dollar amount is \$95 per individual and dependent for 2014, increasing to \$325 in 2015 and \$695 in 2016 and beyond. The amount is half of the above dollar amounts for those under age 18.

The Individual Mandate - Continued

- The flat dollar amount is compared to a percentage of the excess to which household income exceeds the income tax filing threshold. The percentage applied is:
 - 1% in 2014, 2% in 2015 and 2.5% in 2016 and beyond.
 - The penalty is the higher of the two calculations, but cannot exceed certain national average dollar amounts offered through a health exchange.

Example: For a household consisting of two parents and two children at least 18 years of age, none of whom has adequate health coverage, the penalty would be at least \$380 in 2014 and at least \$2,780 in 2016.

Premium Assistance Tax Credits

- Beginning in 2014, eligible low-income individuals who obtain coverage may be entitled to a fully refundable tax credit.
 - An individual may be eligible if their household income is between 100% and 400% of the federal poverty level for the taxpayer's family size.

Premium Tax Credits – The Basics

- What is the premium tax credit?
 - Begins in 2014
 - Designed to help eligible individuals and families with low or moderate income afford health insurance
 - Must be purchased through the Health Insurance Marketplace (Exchange)
 - Can be taken in advance as a payment to the applicant's health insurance company or as a credit when the applicant's tax return is filed

Premium Tax Credits – The Basics

- What is the Health Insurance Marketplace?
 - The Health Insurance Marketplace (Exchange) is where you can:
 - Find information about private health insurance options
 - Purchase health insurance
 - Obtain help with premiums and out-of-pocket costs
 - Open enrollment for 2014 is October 1, 2013 – March 31, 2014
 - Administered by the Department of Health and Human Services (HHS)
 - HealthCare.gov

Premium Tax Credits – The Basics

- How do I get the premium tax credit?
 - Apply for coverage in the Marketplace
 - Using family composition and projected household income information provided by applicant, the Marketplace will estimate the premium tax credit amount
 - Applicant can decide to have all, some or none of the estimated credit paid in advance to the insurance company or be applied to monthly premiums
 - Advance payment will require a reconciliation on the applicant's income tax return
 - If advance payment is not selected, the applicant can claim the credit when filing their tax return

Premium Tax Credits – The Basics

- What happens if my income or family size changes during the year?
 - If the applicant's family size or household income differs from the Marketplace estimates used to compute the advance credit payment, the applicant may receive a refund or have a balance due
 - If the actual allowable credit is less than the advance credit payments, the difference (subject to certain caps) will be subtracted from the refund or added to the balance due
 - If the actual allowable credit is more than the advance credit payments, the difference will be added to the refund or subtracted from the balance due

Premium Tax Credits – The Basics

- What happens if my income or family size changes during the year? - Continued
 - If the applicant's family size or household income changes, notify the Marketplace so they can update the estimate
 - Changes in circumstances that can affect the amount of the applicants 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

Premium Tax Credits – Eligibility

- Who is eligible for the premium tax credit?
 - Applicants need to meet **all** of the following:
 - Purchase coverage through the Marketplace
 - Household income falls within a certain range
 - Not able to get affordable coverage through an eligible employer plan
 - Not eligible for coverage through a government program (i.e., Medicaid, Medicare, CHIP, TRICARE)
 - File a joint return, if married
 - Not claimed as a dependent by another person

Premium Tax Credits – Eligibility

- What are the income limits?
 - Individuals and families whose household income for the year is between 100% - 400% of the federal poverty line for their family size
 - Applicants must also meet the eligibility criteria listed in previous slide
 - Example: If the applicant has household income between 100% - 400% of the federal poverty line BUT are eligible for Medicaid, they are NOT eligible

Premium Tax Credits – Eligibility

- What are the income limits? – Continued

For 2013*, the following illustrates when household income would be between 100% - 400% of the federal poverty line:

\$11,490 (100%) up to \$45,960 (400%) for one individual

\$15,510 (100%) up to \$62,040 (400%) for a family of two

\$23,550 (100%) up to \$94,200 (400%) for a family of four

*Note: Limits based on published set of poverty guidelines as of the first day of open enrollment period (2014 based on 2013 guidelines). The above excludes Alaska and Hawaii.

for filing an income tax return

Premium Tax Credits – Eligibility

- What is household income?

For 2013, the following illustrates when household income would be between 100% - 400% of the federal poverty line:

Applicant's modified adjusted gross income	
	+
Modified adjusted gross income of every other individual in family for whom the applicant can claim a personal deduction and required to file a federal tax return	
	=
Applicant's household income	

*Note: Modified adjusted income is the adjusted income on your federal income tax return + any excluded foreign income, nontaxable SS benefits, and tax-exempt interest received or accrued during the taxable year.

*Does not include Supplemental Security Income (SSI)

Premium Tax Credits – Eligibility

- How do I know if the insurance offered by my employer is affordable?
 - Considered affordable if the annual premium you would pay for self-only coverage does not exceed 9.5% of household income
 - Note: If the employer offers multiple plans, the affordability test is applied only to the lowest-cost option available
 - Note: If the employer offers a wellness program, the affordability test is based on the premium that would be paid if the applicant would receive the maximum discount for any tobacco cessation programs, and does not receive any other discounts based on the wellness program

Premium Tax Credits – Eligibility

- How do I know if the insurance offered by my employer provides minimum value?
 - The plan covers at least 60% of the expected total allowed costs for covered service
 - Beginning in 2014, employers must provide a Summary of Benefits and Coverage
 - Gives information about benefits covered, including whether the plan provides minimum value
 - Under Fair Labor Standards Act, most employers will provide a notice about options in the Marketplace and potential premium tax credit eligibility

Premium Tax Credits – Eligibility

- Am I eligible for the premium tax credit if I enroll in coverage through an employer?
 - NO – If you enroll in an employer-sponsored plan, you are not eligible even if the plan fails to provide minimum value

Premium Tax Credits – Reporting & Claiming

- Will I have to file a federal income tax return to get the premium tax credit?
 - YES – For that tax year, if the applicant receives as advance credit payment or if they claim the premium tax credit
 - Filing is required whether or not the applicant would otherwise be required to file a return
 - If filing married, a joint return must be filed

Premium Tax Credits – Reporting & Claiming

- If I get insurance through the Marketplace, how will I know what to report on my federal tax return?
 - The Marketplace will send a statement by January 31st
 - Shows the amount of premiums and advance credit payments
 - Example: 2014 information statements will be received by January 31, 2015. This information can be used to compute the premium tax credit on the 2014 tax return and to reconcile any advance credit payments made

Premium Tax Credits – Reporting & Claiming

- How is the amount of the premium tax credit determined?
 - Based on a sliding scale
 - The higher the income, the lower the credit amount
 - Note: The premium tax credit is a refundable tax credit

Questions?

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