

In the Spotlight: Health Coverage Tax Reporting

Note: BCBSNC does not provide legal or tax advice. Please contact your tax advisor or visit www.IRS.gov with specific questions about your personal circumstances.

In 2015, individuals and families will be required to report to the IRS whether or not they held health insurance in the 2014, the prior tax year. This requirement, known as “individual shared responsibility,” is based on a provision of the Affordable Care Act (ACA) that requires all tax-paying individuals to have minimum essential coverage or pay a fine. Additionally in 2015, individuals who were eligible for and may have received a premium tax credit to assist with coverage on the Health Insurance Marketplace (“Marketplace”) must report their eligibility and reconcile any amount that they received in advance of their 2014 tax filing.

Individual Shared Responsibility

The ACA requires that for each month of the year, individuals must have minimum essential coverage or qualify for a coverage exemption. If these criteria are not met, individuals will be required to pay a shared responsibility payment. This provision applies to the individual taxpayer himself or herself, as well as any member of the household that the taxpayer could claim as a dependent.

Minimum Essential Coverage. This term includes types of coverage that meet the federal government’s threshold for “sufficient” health insurance for purposes of ACA coverage requirements.

- **Types:** Minimum essential coverage includes government programs such as Medicare, Medicaid and TRICARE, employer-sponsored insurance, individual market coverage such as a plan purchased through the Marketplace, grandfathered health coverage that has not changed significantly since 2010, and others. For a complete list of minimum essential coverage types, see this [chart](#) developed by the Internal Revenue Service (IRS).
- **Reporting Requirements:** In order for individual taxpayers or their dependents to report that they held minimum essential coverage for the tax year, individuals and families will certify on their tax return that they held coverage for the entire year. If individual taxpayers or their dependents only held coverage for part of the year or not at all, they may be eligible to claim an exemption. If they do not qualify for an exemption, they will be required to pay a financial penalty to the federal government.

Health Coverage Exemptions. In some cases individual taxpayers or dependents may be exempt from the requirements of the individual shared responsibility requirement.

- **Types:** Here are some examples of exemptions that may apply:
 - **If coverage is unaffordable:** An exemption may apply when coverage offered on the Marketplace or through an employer-sponsored plan offered to the individual costs more than 8% of the household income for the year.
 - **If individual experienced a short coverage gap:** An exemption may apply when an individual experiences a coverage gap of less than 3 consecutive months during the tax year.

- **If income is below filing threshold:** An exemption may apply if an individual's income is below the threshold needed to submit a tax return.
 - **If individual is a member of an American Indian tribe:** An exemption may apply for individuals who are members of federally-recognized American Indian tribes, Alaska Natives or for individuals who are otherwise eligible to use an Indian healthcare provider.
 - **If individual is ineligible for coverage because state did not expand Medicaid:** An exemption may apply for individuals who would be considered newly eligible for Medicaid coverage if the state chose to expand Medicaid (up to 138% Federal Poverty Level (FPL)).
- **Obtaining an Exemption:** Exemptions must be reported to the federal government in order to be used for tax purposes. Individuals should consult the [IRS website](#) to determine if they are eligible for a coverage exemption.

Payment Requirements. If an individual taxpayer or their dependent did not carry minimum essential coverage for the entire tax year and they do not qualify for an exemption, then the individual may be responsible for one or more "individual responsibility payments". Taxpayers must pay a financial penalty for each month in the tax year in which the individual or any dependents did not have minimum essential coverage or qualify for an exemption. The payment required for one month is equal to 1/12 of the annual payment, shown below.

On an annual basis, the payment is the greater of:

- 1% of the household income that is above the tax filing threshold (depends on taxpayer status)
- A flat dollar amount, which is \$95 per adult and \$47.50 per child with an upper limit of \$285

Premium Tax Credit Reporting

Individual taxpayers and their dependents who had insurance through the Marketplace in 2014 and were eligible to claim a premium tax credit for any number of months in 2014 will use their 2014 tax return to report tax credit funds that were either advanced or will be claimed at the time of filing.

While shopping for coverage in 2014, individuals and families had the option to determine their eligibility for a premium tax credit to help them pay their monthly premium. To determine whether individuals and families are eligible for premium tax credits, the federal government developed a complex calculation, which takes into account a family's income as a percentage of the federal poverty level, citizenship status, access to other minimum essential coverage, cost of coverage available, and number of individuals in the family or tax household. If eligible, individuals and families have the option each year to either collect the tax credit in advance or to receive a lump sum payment at the time of tax filing. For those individuals who chose to receive an advance on their tax credit, throughout the tax year the federal government made monthly payments on the individual's behalf directly to their health insurer.

At the time of the tax filing, individuals will report to the IRS the amount of premium tax credit that they either accessed for coverage in advance during the tax year, or that they are eligible to receive as a refund to their tax return. Individuals who were eligible for the premium tax credit during the tax year will receive a tax form (called "1095-A") from the Marketplace along with a [cover letter](#), which contains information about the estimated premium tax credit information that was either paid in advance or may be collected at the time of tax filing. The information

contained in this form will be used on the tax return to verify eligibility and receipt of the premium tax credit. Individuals should contact the Marketplace with any questions about the 1095-A form.

BCBSNC Views

BCBSNC is committed to ensuring that North Carolinians understand the impacts of the ACA based on up-to-date information and understand their options for coverage. BCBSNC is committed to providing resources to explain requirements as the world of health care changes with new reforms. All resources prepared by BCBSNC are intended to provide an overview of the tax filing requirements for the individual mandate, but not intended to provide legal or tax advice. BCBSNC encourages consumers to consult a tax professional if they have questions about the tax filing process.

For More Information

IRS Publication 5187- Health Care Law: What's New for Individuals & Families:

<http://www.irs.gov/pub/irs-pdf/p5187.pdf>

Health Care Law Brings Changes to IRS Tax Forms:

<http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Health-Care-Law-Brings-Changes-to-IRS-Tax-Forms>

Basic Information about Form 1095-A:

<http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Health-Insurance-Marketplace-Statements>

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