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.
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

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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

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Income Limits Based on 2013 Federal Poverty Line (FPL)

- One Individual
  - $11,490 (100% FPL) - $45,960 (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.

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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 - $3,000
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

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<thead>
<tr>
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<th>Less than 200%</th>
<th>At least 200% - less than 300%</th>
<th>At least 300% - less than 400%</th>
<th>400% or more</th>
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<tr>
<td><strong>Household Income</strong></td>
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<td><strong>(as % of Federal Poverty Line)</strong></td>
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<td><strong>Single Filers</strong></td>
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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

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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
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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 an 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).