

ABC's of the Premium Tax Credit



<u>Agenda</u>

- Background
- Basics of the premium tax credit
- Eligibility
- How to file
- Reconciling advance payments
- Common errors
- Resources



Health Insurance Marketplace

- Provides information at HealthCare.gov or state Marketplace website
- Enrolls individuals in health coverage
- Offers financial assistance
- Issues Form 1095-A, Health Insurance Marketplace Statement



Basics of the PTC

- Refundable tax credit
- Must buy Marketplace coverage
- Must file Form 8962 to claim the PTC and reconcile any advance payments



PTC Eligibility

Must meet <u>all</u> of the following requirements:

- Income between 100-400% of Federal Poverty Line
- Taxpayer, spouse, or dependent must enroll in Marketplace coverage for a month that the enrollee is not eligible for coverage through employer or government plan
- Cannot be claimed as a dependent by another person
- Not file as Married Filing Separately *Note:* Some exceptions apply



2015 Income Limits are based on 2014 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)



Advance Payments of PTC (APTC)

- Determined by Marketplace based on *estimated* household income and family size
- Paid directly to insurance company on the taxpayer's behalf
- MUST file tax return to reconcile



Reporting Changes in Circumstances

Examples:

- Family size or filing status

 (family = personal exemptions)
- Increase/decrease in household income
- Gain/loss of health care coverage or eligibility
- Moving to another address

<u>Important</u>: Report changes to the Marketplace when they happen



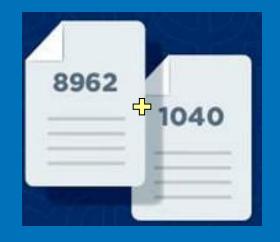
How to claim the PTC

- Based on <u>actual</u> annual household income and family size reported on the tax return
- Claimed on tax return using Form 8962
 - Reconciles APTC
 - Results in either a refundable credit or repayment of excess advance payments



Forms needed to claim PTC





- Form 1095-A from Marketplace
- Form 8962 to claim and reconcile PTC/APTC
- File Form 8962 with 1040, 1040A or 1040NR

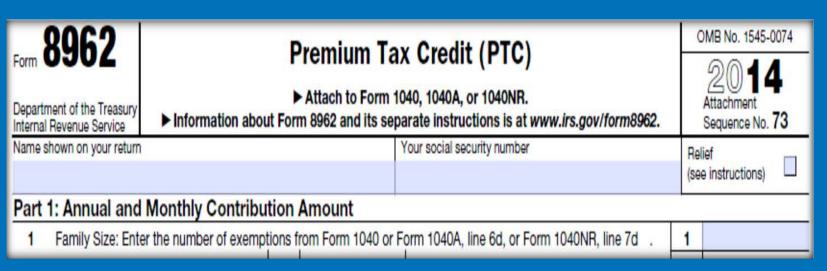


Form 1095-A, Health Insurance Marketplace Statement

- Issued by the Marketplace
- *Must* be used to complete Form 8962
- Reports monthly household coverage information:
 - Plan premium
 - Applicable second lowest cost silver plan premium
 - APTC



Form 8962 - Premium Tax Credit



File Form 8962 with tax return to

- claim the premium tax credit and
- reconcile APTC







Tax FORUM

Completing Part 1 of Form 8962

Form **8962**

Department of the Treasury

Internal Revenue Service

Premium Tax Credit (PTC)

► Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

OMB No. 1545-0074

2014

Attachment Sequence No. 73

Part 1: Annual and Monthly Contribution Amount Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d Modified AGI: Enter your modified b Enter total of your dependents' modified AGI (see instructions) AGI (see instructions) 2b Household Income: Add the amounts on lines 2a and 2b 3 Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a Alaska b Hawaii c Other 48 states and DC Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.) Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) Yes. Continue to line 7. No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount. Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions 7 Annual Contribution for Health Care: b Monthly Contribution for Health Care: Divide Multiply line 3 by line 7 8a line 8a by 12. Round to whole dollar amount 8b





2015



Completing Part 2 of Form 8962

Form **8962**

Department of the Treasury

Internal Revenue Service

Premium Tax Credit (PTC)

► Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

OMB No. 1545-0074

2014

Attachment Sequence No. 73

Part	Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit								
9	Did you sha	old you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)							
	Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. No. Continue to line 10.								
10	Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21–32, columns A and B								
	☐ Yes. Continue to line 11. Compute your annual PTC. Skip lines 12–23 ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to lines 12–23. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to lines 12–24. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to lines 12–24. ☐ No. Continue to lines 12–24. ☐ No. Continue to lines 12–23. ☐ No. Continue to lines 12–24. ☐ No. Continue to lines 12								
Annual Calculation		A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)		
11	Annual Totals								
Monthly Calculation		A. Monthly Premium Amount (Form(s) 1095-A, lines 21-32, column A)	B. Monthly Premium Amount of SLCSP (Form(s) 1095-A, lines 21-32, column B)	(Amount from line 8h	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21–32, column C)		
12	January								
13	February								
14	March								
15	April								
16	May								
17	June								





2015



Completing Part 3 of Form 8962

Form 8962	Premium Tax Credit (PTC)			OMB No. 1545-0074				
Department of the Treasury Internal Revenue Service	ment of the Treasury Il Revenue Service Attach to Form 1040, 1040A, or 1040NR. Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.				2014 Attachment Sequence No. 73			
Name shown on your return		Your social security number	Relief (see instructions)					
Part 3: Repayment of Excess Advance Payment of the Premium Tax Credit								
27 Excess Advance Payment of PTC: If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here								
Repayment Limitation: Using the percentage on line 5 and your filing status, locate the repayment limitation amount in the instructions. Enter the amount here								

Excess Advance Premium Tax Credit Repayment: Enter the smaller of line 27 or line 28 here and on Form 1040,

line 46; Form 1040A, line 29; or Form 1040NR, line 44 . . .





2015

Tax FORUM

Completing Part 4 of Form 8962

Form **8962**

Department of the Treasury

Internal Revenue Service

Premium Tax Credit (PTC)

► Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

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Form 8962 (2014) Page 2 Part 4: Shared Policy Allocation Complete the following information for up to four shared policy allocations. See instructions for allocation details. Shared Policy Allocation 1 a Policy Number (Form 1095-A, line 2) b SSN of taxpaver sharing allocation c Allocation start month d Allocation stop month a. Advance Payment of the PTC Allocation percentage e. Premium Percentage f. SLCSP Percentage applied to monthly Percentage amounts Shared Policy Allocation 2 a Policy Number (Form 1095-A, line 2) b SSN of taxpayer sharing allocation c Allocation start month d Allocation stop month g. Advance Payment of the PTC Allocation percentage e. Premium Percentage f. SLCSP Percentage Percentage applied to monthly amounts









Completing Part 5 of Form 8962

Form **8962**

Premium Tax Credit (PTC)

► Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

OMB No. 1545-0074

2014
Attachment
Sequence No. 73

Internal Revenue Service
Name shown on your return

Department of the Treasury

Your social security number

Relief

Part 5: Alternative Calculation for Year of Marriage

Complete line(s) 35 and/or 36 to elect the alternative calculation for year of marriage. For eligibility to make the election, see the instructions for line 9. To complete line(s) 35 and/or 36 and compute the amounts for lines 12–23, see the instructions for this Part 5.

35	Alternative entries for your SSN	 Alternative family size 	b Monthly contribution	c Alternative start month	d Alternative stop month
55					
36	Alternative entries for your spouse's	a Alternative family size	b Monthly contribution	c Alternative start month	d Alternative stop month
	SSN				



Return Preparer Interview Best Practices

- Did your client receive Form 1095-A from Marketplace?
 - APTC
 - Verify coverage months and who is covered
 - Multiple policies issued
- Were there changes in circumstances during the year?
 - Married/divorced
 - Eligible for government or employer sponsored coverage
 - Months without coverage



2014 Filing Season Recap

- Reconciling APTC
 - Penalty relief for 2014
- Reporting changes in circumstances
- Corrected Forms 1095-A



Common Errors

- Claimed PTC but failed to attach Form 8962
- Did not reconcile APTC
 - Form 8962, Part 2, Lines 11 or 12-23 (Column F)
- Form 1095-A data not correctly reported
 - Form 8962, Part 2, Lines 11 or 12-23 (Columns A and B)
- Transposed digits



Common Errors

- Miscalculated Monthly PTC Allowed
 - Form 8962, Part 2, Lines 11 or 12-23 (Column E)
- Miscalculated Repayment Amount of Excess APTC
 - Form 8962, Part 3, Lines 28 & 29



2015: What You Need to Know

- Forms 1095-A and 8962
- Report changes in circumstance to the Marketplace if receiving APTC
- 2016 Marketplace enrollment
 - Nov 1, 2015 to January 31, 2016
 - Special Enrollment Periods



Resources

- IRS.gov/aca
- IRS.gov/taxpros
- HealthCare.gov
- Publication 974 Premium Tax Credit
- Instructions and Form 8962, Premium Tax Credit