How the Affordable Care Act Impacts Your Taxes

Beginning this tax season, you may notice some changes on your tax return related to the Affordable Care Act, commonly referred to as just ACA or Obamacare.

We've created the following guide to help inform you of potential changes, and to ensure that you understand how the ACA might impact your tax situation this year. In this guide, you'll find specific information around (a) how the ACA might affect your taxes, (b) which new forms you'll need to look for, and (c) what documentation we'll need from you in order to complete your tax return.

To begin, find the description that best represents your current situation.

I enrolled in a health plan through my employer, private insurance, Medicare or Medicaid.

You're all set! All you will need to do is indicate that you have minimum essential coverage , a general term that includes individual market policies, job-based coverage, Medicare, Medicaid, CHIP, TRICARE and certain other coverage. For a full list of qualifying plan types, visit *www.healthcare.gov/fees-exemptions/plans-that-count-as-coverage/*.

New tax forms to expect

- Form 1095-C: Your employer may provide a separate Form 1095-C to you and to the IRS, which provides information about your plan and who was covered.
- Form 1095-B: Private insurers and self-funded plans may provide each policyholder and the IRS with information summarizing the coverage provided on Form 1095-B.
- Note: This year is a transition period for Forms 1095-B and 1095-C, so these forms are not a requirement for tax year 2014.

What I need from you

- All of the usual documentation you provide
- Form 1095-C or 1095-B, if you received it from your employer or private insurer.

I purchased a health plan through a Health Insurance Marketplace.

To get started, just let us know that you purchased your plan through a Health Insurance Marketplace, also known as a health exchange.

Did you receive a government subsidy in the form of a tax credit to purchase health insurance through the online Health Insurance Marketplace?

Unlike most tax credits, this tax credit or subsidy could be applied to insurance premiums throughout 2014 when your coverage began. Whether or not you choose to receive this subsidy during the year, we are required to reconcile your credit on your tax return at year end.

If you overestimated your 2014 household income when you applied for the tax subsidy, you will receive the remainder of the subsidy in the form of a refundable credit, which will increase the refund amount or decrease the amount owed on your tax return. But if you earn more than you projected, you will have to pay a portion or all of the subsidy back, which will decrease the refund amount or increase the amount owed on your tax return.

In addition to a change in income, make sure to report all life changes (i.e. getting married or having a child) through your Marketplace to ensure your subsidy is correct.

New tax forms to expect

- Form 1095-A: If you purchased insurance through the Health Insurance Marketplace you will receive a new form, Form 1095-A, which will show details of your insurance coverage including the effective date, amount of premium and the advance premium tax credit.
- Form 8962: If you are eligible to receive a premium tax credit in 2014, information about your advance premium tax credit will be reported and the actual premium tax credit will be determined on Form 8962.

What I need from you

- All of the usual documentation you provide
- Form 1095-A, if you purchased health insurance through the Health Insurance Marketplace

I don't have health insurance.

Under the ACA, individuals who did not have health insurance for more than three months in 2014 must pay a tax penalty. However, according to Congressional Budget Office, an estimated 20 million Americans may qualify to waive that penalty this year. To find out if you qualify for an exemption, review the material below.

How do I know if I qualify for an exemption?

The Affordable Care Act recognizes there are legitimate reasons people may be exempt from paying a tax penalty for not having health insurance.

Some of the common exemption reasons include:

- Can't afford health insurance; the lowest-priced coverage available would cost more than 8 percent of their household income
- Had medical expenses you couldn't pay in the last 24 months that resulted in substantial debt
- Had an individual insurance plan cancelled, and believe other marketplace plans are unaffordable
- Received a shut off notice from a utility company

For the full list of exemptions, please check *www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/*

If you've been uninsured for fewer than three consecutive months of the year, you don't need to apply for an exemption. This will be handled when we file your 2014 taxes. Also, if you are not required to file a tax return because your income is too low, you don't need to apply for an exemption.

If you believe you qualify for one of the exemptions, please notify us as soon as possible, so we will be able to let you know whether you can claim it on your tax return or apply through the Health Insurance Marketplace along with the required documentation in certain cases. Different exemptions require different forms, so be sure to apply with the correct document. You can find and print all of the forms at *www.healthcare.gov/exemptions*.

For those exemptions that should be filed through the Health Insurance Marketplace, the approval process can take a couple of weeks, so don't wait until we file your taxes to apply for an exemption. Instead, submit your application as soon as possible. That way, it will be documented and processed in time, and we can file your tax return as soon as the IRS begins accepting returns in January.

What I need from you

- All of the usual documentation you provide
- If you are getting an exemption through the Health Insurance Marketplace (also called an exchange) and not claiming the exemption directly on the tax return, you will also need to **provide the exemption certificate number.**

What if I'm not exempt?

If you don't have health insurance and don't qualify for an exemption, you will have to pay a penalty when you file for your 2014 tax return. If that's the case, don't worry: We will help you calculate the exact amount of your tax penalty and work to identify any qualifying deductions that may help offset this fee.

The tax penalty, also referred to as the "individual shared responsibility payment," is based on your family size and income. The penalty will be prorated based on the number of months you are uninsured and will increase each year.

For tax year 2014, the annual one-time tax penalty will be $95 per adult, or one percent of your total income, whichever is greater. For uninsured children in your family, the penalty is $47.50 per child, with a family maximum of $285 for the year. The tax penalty is assessed on your 2014 tax return.

Each year following 2014, the penalty increases – in 2015 the penalty is $325 per person, $162.50 per child – or two percent of your income. By 2016, the penalty rises to $695 per adult, $347.50 per child – or 2.5 percent of your household income.

We know that the tax filing process can sometimes be overwhelming and that the Affordable Care Act could potentially further complicate the process.

Please know that we are here to help you navigate these changes.