

# Tax Filing Season Issues for Assisters

**A presentation for Vermont health care  
assisters**

**by**

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**Vermont Legal Aid**  
Working for Justice

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# Webinar Logistics

Welcome!

**Phone:** Use any of the following:

1-860-970-0010    1-302-202-5900  
1-734-746-0035    1-646-307-1990  
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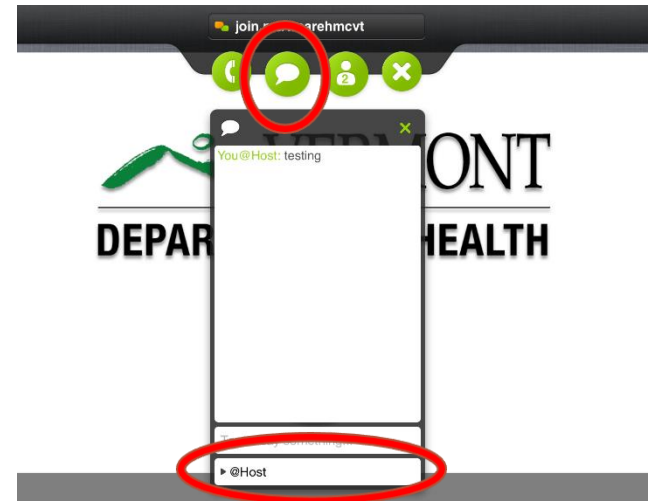
**ID:** 564-780-250

## Questions

If you have a question during the webinar:

- Use the chat function of join.me
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Questions will be monitored and answers saved until the end of the presentation if possible.



## Slides

If you are unable to see the slides at any point or they do not seem to be advancing, please refresh your browser.

# Disclaimers



New guidance may be issued. Information and links may change.

The law is complicated. This presentation provides general information. There are always exceptions and caveats.



# Today's Presentation



- Premium Tax Credit
  - ✦ Forms needed to claim PTC
  - ✦ Reconciliation examples
  - ✦ Consequences of not repaying excess APTC
- Individual Shared Responsibility
  - ✦ Information needed for taxes
  - ✦ How to claim (or apply for) an exemption from the SRP
  - ✦ Using an SRP calculator
  - ✦ SRP examples
  - ✦ Consequences of not paying the SRP
- Referrals and Resources



# Premium Tax Credit: Forms



- Everyone who received APTC needs IRS Form 1095-A to prepare their tax return this year
- All QHP households will receive Form [1095-A](#) in the mail from VHC, starting this week
  - Including unsubsidized consumers
  - IRS also gets a copy from VHC



# Premium Tax Credit: Forms



Form **1095-A**

## Health Insurance Marketplace Statement

OMB No. 1545-2232

Department of the Treasury  
Internal Revenue Service

► Information about Form 1095-A and its separate instructions is at [www.irs.gov/form1095a](http://www.irs.gov/form1095a).

CORRECTED

**2014**

### Part I Recipient Information

<b>1</b> Marketplace identifier	<b>2</b> Marketplace-assigned policy number	<b>3</b> Policy issuer's name	
<b>4</b> Recipient's name		<b>5</b> Recipient's SSN	<b>6</b> Recipient's date of birth

### Part II Coverage Household

	A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
<b>16</b>					
<b>17</b>					

### Part III Household Information

Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit
<b>21</b> January			
<b>22</b> February			

# Premium Tax Credit: Forms



- 1095-A has information needed to claim a Premium Tax Credit and reconcile APTC:
  - Each individual's start and termination dates
  - Monthly QHP premium amount
    - ✦ Does not include any Dr. Dynasaur premiums or adult dental plan premiums
    - ✦ May be a few pennies off from the QHP's listed unsubsidized premium
  - Monthly benchmark premium (second-lowest cost silver plan, SLCSP)
  - Amount of advance payments of the premium tax credit (APTC) made for each month of 2014



# Premium Tax Credit: 1095-A Example



- **John**

- John files his own tax return and has no dependents
- John enrolled in a BCBSVT Silver Deductible plan for all 12 months of 2014
- VHC estimated that John's 2014 income would be \$28,725 (250% FPL)
- John received APTC for each month of 2014 based on VHC's initial income projection





# Premium Tax Credit: Forms



- What if I did not receive Form 1095-A?
  - Call VHC customer service, 855-899-9600
    - ✦ Wait until the second week of February. The forms don't have to be mailed until February 2.
  - VHC is only required to mail one form per tax household. It will go to the person listed in VHC records as head of the household.
  - VHC will be able to send a duplicate form or provide information over the phone if the caller is on the VHC account, or if someone on the VHC account gives permission.



# Premium Tax Credit: Forms



- If APTC was paid but you can't get the 1095-A information, the tax refund will be delayed
  - E.g., your estranged spouse enrolled your dependent in APTC, and won't give permission for VHC to send you the 1095-A
    - ✦ Hopefully this will be rare
  - IRS can disclose 1095-A information when the data is needed to resolve the taxpayer's filing or reporting requirements.
  - **But**, IRS may require the taxpayer to file an incomplete tax return to show that disclosure is really necessary
    - ✦ Will this mean filing by mail? Depends on the software.
  - IRS may require the taxpayer to first try to get the information from VHC and the person who received the 1095-A
    - ✦ IRS customer service: 1-800-829-1040



# Premium Tax Credit: Forms



- What if I think Form 1095-A is wrong?
  - Call VHC customer service, 855-899-9600
  - If VHC agrees that the form is wrong, a corrected form will be issued
- A batch of corrected 1095-A forms are already scheduled to be mailed around February 17
  - Due to changes processed after the initial forms were generated on January 16
- Wait until the corrected form is issued to file the tax return, or the tax return may be frozen by IRS



# Premium Tax Credit: Forms



- IRS Form [8962](#) Premium Tax Credit must be filed with a federal income tax return to officially claim PTC and reconcile APTC
  - This form will be generated by tax preparation software
- Taxpayers need to have Form(s) 1095-A before they can complete Form 8962
  - Any tax preparer or tax software should ask about Form 1095-A



# Premium Tax Credit: Forms



Form **8962**

## Premium Tax Credit (PTC)

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service

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

▶ Information about Form 8962 and its separate instructions is at [www.irs.gov/form8962](http://www.irs.gov/form8962).

**2014**  
Attachment  
Sequence No. **73**

Name shown on your return

Your social security number

Relief  
(see instructions)

### Part 1: Annual and Monthly Contribution Amount

<b>1</b>	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d . . . . .	<b>1</b>	
<b>2a</b>	Modified AGI: Enter your modified AGI (see instructions) . . . . .	<b>2a</b>	
		<b>b</b>	Enter total of your dependents' modified AGI (see instructions) . . . . .
<b>2b</b>		<b>2b</b>	
<b>3</b>	Household Income: Add the amounts on lines 2a and 2b . . . . .	<b>3</b>	

### Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

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)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	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)
<b>12</b> January						
<b>13</b> February						
<b>14</b> March						

# Premium Tax Credit: Form 8962 cont.



## Part 3: Repayment of Excess Advance Payment of the Premium Tax Credit

<b>27</b>	Excess Advance Payment of PTC: If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here	<b>27</b>	
<b>28</b>	Repayment Limitation: Using the percentage on line 5 and your filing status, locate the repayment limitation amount in the instructions. Enter the amount here . . . . .	<b>28</b>	
<b>29</b>	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 . . . . .	<b>29</b>	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 37784Z

Form **8962** (2014)



# Premium Tax Credit: Reconciliation



- What if John's income shown on his 2014 tax return is less than VHC expected?
  - If John's income is lower than VHC's projection, he received less APTC than he was entitled to
  - John will receive an additional Premium Tax Credit on his tax return
    - ✦ This will be calculated by tax preparation software, based on John's income and the numbers on Form 1095-A



# Premium Tax Credit: Reconciliation

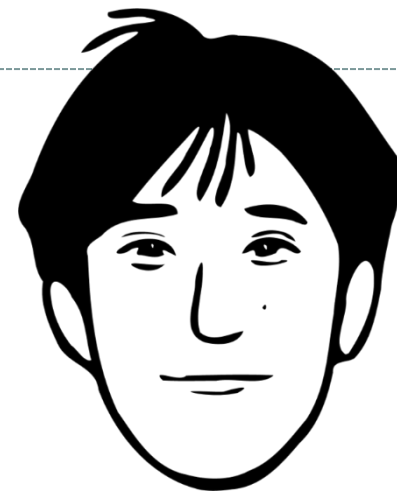


- What if John's income shown on his 2014 tax return is more than VHC expected?
  - If John's income is higher than VHC's projection, he received more APTC than he was entitled to
  - John will have to repay some APTC on his tax return
    - ✦ This will be calculated by tax preparation software, based on John's income and the numbers on Form 1095-A





# Premium Tax Credit: Reconciliation



- How much might John have to repay?
  - If John's income is under \$45,960 (400% FPL), his liability is capped

REPAYMENT LIMITS ON APTC		
Household Income (as % of FPL)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	Full repayment	Full repayment

# 2014 APTC Repayment Cap Examples

SINGLE Taxpayer		Married Couple with 2 Children	
Income Levels (Percent of Federal Poverty Line)	Will pay back no more than ...	Income Levels (Percent of Federal Poverty Line)	Will pay back no more than....
Under \$22,980 (200%)	\$300	Under \$47,100 (200%)	\$600
At least \$22,980 (200%) but less than \$34,470 (300%)	\$750	At least \$47,100 (200%) but less than \$70,650 (300%)	\$1,500
At least \$34,470 (300%) but less than \$45,960 (400%)	\$1,250	At least \$70,650 (300%) but less than \$94,200 (400%)	\$2,500
\$45,960 (400%) and above	Full repayment	\$94,200 (400%) and above	Full repayment

# What if excess APTC is not repaid?



- IRS sends letters. If the taxpayer does nothing, IRS may:
  - Offset (seize) future federal tax refunds
  - Levy (seize/garnish)
    - ✦ Vermont tax refunds
    - ✦ Social Security disability or retirement benefits (not SSI)
    - ✦ Wages
    - ✦ Bank accounts
    - ✦ Real or personal property (unlikely)
  - File a notice of federal tax lien in the land records



# What if excess APTC is not repaid? (2)



- IRS has 10 years to collect it
  - including related penalties and interest
- The 10 years can be extended by certain actions of the taxpayer
  - Generally, the collection period is paused while IRS is barred from collecting
  - e.g. during a bankruptcy



# Individual Shared Responsibility



- The shared responsibility provision of the tax code says that individuals must have health insurance, claim an exemption, or pay a penalty
- A penalty may be owed for each month without insurance
- Tax filers are responsible for their dependents
- Tax dependents don't owe a penalty



# Individual Shared Responsibility



What information is needed to file taxes?

- A tax preparer (or tax software) will ask: Did you and your family have minimum essential coverage for each month in 2014?
  - Almost all types of health insurance qualify
  - For a list, see page 4 of the IRS Form [8965 instructions](#), or [www.irs.gov/aca](http://www.irs.gov/aca)
  - Some tax preparers may ask to see proof of coverage



# Individual Shared Responsibility



## What information is needed to file taxes? (2)

- If you or a family member did not have MEC for all of 2014
  - Do you have an exemption certificate from the federal marketplace (HHS)?
  - Do you qualify for an exemption that can be claimed on a tax return?
  - Do you qualify for an exemption that must be applied for through the federal marketplace?
    - ✦ The application must be mailed before your tax return is filed



# Shared Responsibility: Exemptions



- Exemptions are claimed on IRS Form [8965](#)
  - File with a federal income tax return
  - For marketplace exemptions, list certificate number or write “pending” if you have applied





# Shared Responsibility: Exemptions



Form **8965**

Department of the Treasury  
Internal Revenue Service

## Health Coverage Exemptions

▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.

▶ Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

OMB No. 1545-0074

**2014**

Attachment  
Sequence No. **75**

Name as shown on return

Your social security number

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

### Part I

**Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	<b>a</b> Name of Individual	<b>b</b> SSN	<b>c</b> Exemption Certificate Number
<b>1</b>			



# Shared Responsibility: Exemptions



## Part II Coverage Exemptions for Your Household Claimed on Your Return:

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

## Part III Coverage Exemptions for Individuals Claimed on Your Return: If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																



# Shared Responsibility: Exemptions



Which exemptions can be claimed on a tax return?

- Coverage was unaffordable ( $\geq 8\%$  of household income)
- Short coverage gap (less than 3 months)
- Income below filing threshold
- Incarceration
- Gap in coverage before May 1, 2014
- Exempt non-citizen
- For the full list, see [www.irs.gov/aca](http://www.irs.gov/aca) or page 2 of the IRS Form [8965 instructions](#)



# Shared Responsibility: Exemptions



## The affordability exemption

- The lowest-priced coverage available to cover all uninsured family members would cost over 8% of household income
- This is different from the affordability rule for declining employer insurance and getting APTC
  - The threshold is 8% instead of 9.5%
  - There is no family glitch – the actual cost for all uninsured family members is compared to household income
- There are worksheets in the IRS Form [8965 instructions](#)
  - These calculations will be done by tax preparers or tax preparation software
- See [www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/](http://www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/)



# Shared Responsibility: Exemptions



Which exemptions must be applied for through the Marketplace?

- Hardship
  - Homelessness
  - Domestic violence
  - Eviction or foreclosure
  - Medical bills
  - For more hardship situations see [www.healthcare.gov/fees-exemptions/hardship-exemptions/](http://www.healthcare.gov/fees-exemptions/hardship-exemptions/)
- AmeriCorps coverage



# Shared Responsibility: Exemptions



- What if my hardship is not listed?
  - There is an “other” box to check on the [hardship application](#)
  - Explain why the hardship prevented you from getting health insurance in 2014
- When can I apply for a hardship exemption?
  - You have three years from the month of the hardship to apply
  - It’s best to apply before filing your tax return, otherwise the IRS will impose the penalty and you will have to file an amended tax return after the exemption is granted



# Shared Responsibility: Exemptions



- How do you get a marketplace exemption?
  - VHC has delegated authority for exemptions to the federal marketplace (HHS) for the time being
  - Application forms and instructions are at [www.healthcare.gov/fees-exemptions/apply-for-exemption/](http://www.healthcare.gov/fees-exemptions/apply-for-exemption/)
  - Applications must be printed and mailed



# Shared Responsibility: Exemptions



## Example of Form 8965: John and Jane Doe

- Married, filing jointly, with one child
- Neither spouse had health insurance in 2014
- Their child had Dr. Dynasaur
- John was sentenced in March, and incarcerated from March 30 to December 5
- Jane struggled to pay bills without John's income. She just mailed her hardship exemption application yesterday.





# The Shared Responsibility Penalty



- How much is the penalty?
  - The penalty is imposed for each month without insurance
  - It's calculated for the whole year, then the result is divided by 12 to get the monthly penalty
  - The Tax Policy Center calculator is helpful, at <http://taxpolicycenter.org/taxfacts/acacalculator.cfm>
  - There are 2014 and 2015 penalty examples posted at [www.vtlawhelp.org/health-insurance-taxes-and-you](http://www.vtlawhelp.org/health-insurance-taxes-and-you)



# The Shared Responsibility Penalty



- For 2014, the shared responsibility payment is the greater of:
  - \$95 per adult and \$47.50 per child under age 18 (up to \$285 per family); or
  - 1% of household income in excess of filing threshold with a maximum of
    - ✦ \$204 per individual per month (\$2,448 annually) up to five individuals



# The Shared Responsibility Penalty



## 2014 Federal Tax Filing Thresholds

For Individuals Under Age 65

Filing Status	Income Threshold
Single	\$10,150
Head of Household	\$13,050
Married Filing Jointly	\$20,300
Married Filing Separately	\$3,950
Qualifying Widow(er) with Dependent Children	\$16,350

[www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment](http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment)



# Shared Responsibility Penalty Examples



- **Jim**
  - Single with no tax dependents
  - Jim's income is \$40,000 and his filing threshold is \$10,150
- **Eduardo and Julia**
  - Married with two children, filing jointly
  - Their household income is \$70,000 and their filing threshold is \$20,300

Examples by Devon Green, AHS Special Counsel for Health Care Reform



# What if I don't pay the SRP?



- It will be taken out of your 2014 refund
- If there is a debt, IRS sends bills. If the bill is not paid, IRS may:
  - Offset (size) federal tax refunds
  - Take the unpaid SRP into account when the taxpayer requests a collection alternative for an IRS debt
    - ✦ e.g. an installment plan
- IRS may not seize property, garnish income, file criminal charges, or file a notice of federal tax lien



# What if a taxpayer doesn't pay? (SRP)



- IRS's timeframe to collect a SRP is not settled law
- Currently it appears IRS intends to offset tax refunds for as long as an SRP is unpaid



# Recap: IRS Collections



- What happens if a person doesn't pay?
  - PTC Overpayment
    - ✦ Excess PTC is treated by law as additional income tax; the normal IRS collection process applies
  - SRP
    - ✦ Can only be collected by voluntary payment or by taking a federal income tax refund
- A person's eligibility for future tax credits and subsidized health insurance is **not** affected by an unpaid IRS balance



# IRS Interest and Penalties



- If you have a balance due, it's important to file your tax return on time
- The penalty for filing late is much higher than the penalty for paying late
  - 5% of tax due, per month or partial month that the tax return was late, up to 25% total
  - The penalty for paying late is 0.5% to 1% per month
- See [IRS Publication 17](#) or [www.irs.gov](http://www.irs.gov)
  - [Eight Facts on Late Filing and Late Payment Penalties](#)
  - [FAQ: Will I be charged interest and penalties for filing and paying my taxes late?](#)





# IRS Collection Alternatives



- Collection Alternative = avoiding a garnishment or seizure of property
- Options include:
  - Offer in Compromise (OIC)
  - Currently Not Collectible (CNC)
  - Installment Agreement
  - Bankruptcy
  - Innocent Spouse



# Currently Not Collectible



- Taxpayer can't make payments – all income is needed to pay reasonable and necessary living expenses
- No assets that could reasonably be liquidated
- Can have home equity
  - Might be asked for a loan denial letter
- IRS will seize tax refunds, and may file a lien
- Should last as long as income remains the same
  - But IRS can review at any time
- IRS collection financial standards are at [www.irs.gov](http://www.irs.gov)



# IRS Installment Agreements



- There are many different types, including income-based “Partial Pay” installment plans
- Lowest possible payment is \$25/month
- Must pay and file taxes on time for the duration of the agreement
- Can request a modification if income changes
- If multiple tax debts are included in one plan, payments are applied however the IRS chooses
- In many situations, you can apply online:  
[www.irs.gov/Payments](http://www.irs.gov/Payments)



# Referrals – Tax Return Preparation



- Free online tax preparation
  - [www.myfreetaxes.com](http://www.myfreetaxes.com) (\$60,000 income limit)
  - [www.irs.gov/FreeFile](http://www.irs.gov/FreeFile)
    - ✦ Free online software offered by many different companies (income limits vary)
- Free in-person tax preparation
  - **Call 2-1-1** to find your closest site, or visit [www.vermont211.org](http://www.vermont211.org)
  - [www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers](http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers)
  - Includes VITA, TCE, and AARP programs
  - \$53,000 income limit



# Referrals – 1095-A Issues



- VHC customer service
  - Questions about Form 1095-A
  - Requests for changes to Form 1095-A
  - Requests for duplicates
  - 855-899-9600
- Office of the Health Care Advocate at Vermont Legal Aid
  - Refer individuals with problems unable to be resolved through VHC directly
  - 1-800-917-7787



# Referrals – IRS Problems



- Vermont Low Income Taxpayer Project at Vermont Legal Aid
  - Legal advice or representation for IRS disputes
    - Examples: IRS debts, IRS audits
  - 1-800-889-2047
- IRS Taxpayer Advocate Service
  - Refer for IRS problems that are causing financial hardship (or hardship is imminent)
  - 802-859-1052
  - No income limit



# General Resources



- [www.healthcare.gov/taxes](http://www.healthcare.gov/taxes)
- [www.irs.gov/aca](http://www.irs.gov/aca)
- [info.healthconnect.vermont.gov](http://info.healthconnect.vermont.gov)
- [www.vtlawhelp.org/health-insurance-taxes-and-you](http://www.vtlawhelp.org/health-insurance-taxes-and-you)
- [www.vtlawhelp.org/aca-assisters](http://www.vtlawhelp.org/aca-assisters)



# Questions?



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