

## Obamacare Tax Penalties & Credits Coming!

By Charles E. McCabe, CEO

**Richmond, VA May 7, 2014**-The deadline has passed for individuals and families to obtain required health care coverage to avoid being penalized. Income tax penalties for not having required coverage can be substantial.

As your tax preparers, we are not enforcers of the Affordable Care Act; however, we are the ones who will be on the front lines next tax season delivering the bad news to those who failed to obtain the required health care coverage. These penalties will be added to your tax when you file next tax season.

### Penalties/Fees

Any taxpayer who is not covered will pay the greater one of the following two penalties:

- **1% of your yearly household income.** (Only the amount of income above the tax filing threshold, \$10,150 for an individual, is used to calculate the penalty.) The maximum penalty is the national average monthly premium for a bronze plan based on individual factors.
- **\$95 per person for the year (\$47.50 per child under 18).** The maximum penalty per family using this method is \$285.

The penalty increases every year. In 2015 it will be 2% of your income or \$325 per person. In 2016 it will be 2.5% of your income or \$695 per person and then it's adjusted for inflation in the years to follow.

However, if you missed the deadline, but obtain qualified insurance at some point during the year the penalty will be reduced. The penalty is calculated as 1/12 of the yearly penalty times the number of months the person who was not insured. If you were uninsured for 3 months or less out of the year, then there is no penalty.

### Obtaining Insurance

Although the open enrollment period for getting insurance through the Marketplace is closed, you can still obtain insurance on your own through your employers or private entities. Employer plans must offer minimum coverage for all full-time employees if the company has at least 50 employees. If that is not the case, you can shop for insurance on your own. You can also wait until the next open enrollment period that begins November 15, 2014 and shop on the Marketplace. However, you would have to pay a penalty for not being insured from March through October, depending on your situation, it may be best to wait.

### Special Enrollment Period

Some individuals may qualify for the special enrollment period while the Marketplace is closed. This applies to people who have had a "qualifying life event" like changes to family size or a "complex situation related to applying in the Marketplace." The Special Enrollment Period is 60 days following a "qualifying life event". More information regarding the special enrollment period can be found on [healthcare.gov](http://healthcare.gov).

### Exemptions

You might be exempt from the individual responsibility payment for one of the following reasons:

- You were uninsured for less than three months
- The lowest-priced coverage available to you would cost more than 8% of your household income
- You don't have to file a tax return because your income is too low.
- You're a member of a federally recognized tribe or eligible for services through an Indian Health Services provider
- You're a member of a recognized health care sharing ministry

- You're a member of a recognized religious sect with religious objections to insurance, including Social Security and Medicare
- You're incarcerated, and not awaiting the disposition of charges against you
- You're not lawfully present in the U.S.

There are also several hardship exemptions for people in situations where they are unable to purchase health insurance. For example if a person was homeless, recently experienced domestic abuse, and a number of other reasons. To obtain an exemption, an application for exemption should be completed on [healthcare.gov](http://healthcare.gov).

### **Premium Tax Credit**

If you have obtained healthcare coverage through the Marketplace you may be eligible for a Premium Tax Credit. This tax credit is to make purchasing health insurance more affordable for people with moderate incomes. According to [irs.gov](http://irs.gov), you are eligible if you:

- buy health insurance through the Marketplace
- are ineligible for coverage through an employer or government plan
- are within certain income limits
- do not file a Married Filing Separately tax return (unless you meet certain IRS criteria that allows certain victims of domestic abuse to claim the premium tax credit using the Married Filing Separately filing status for the 2014 calendar year); **and**
- cannot be claimed as a dependent by another person.

If you qualify you can choose to get the credit now and have it sent directly to your insurance company or claim the full amount when you file your 2014 or 2015 tax return.

Tax preparers will be in a position to help taxpayers make decisions, but there are still questions to be answered by the IRS to enable them to do so. This summer the IRS is expected to provide tax preparers with information on procedures and forms needed to help taxpayers. Meanwhile information can be found at the following links.

#### Affordable Care Act Tax Provisions

<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions>

#### Form W-2 Reporting of Employer-Sponsored Health Coverage

<http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>

#### The Affordable Care Act: What You Should Know as a Taxpayer

<http://www.peopletax.com/affordable-care-act-for-taxpayers/>

#### Kaiser Foundation Subsidy Calculator

<http://kff.org/interactive/subsidy-calculator/>

#### Patient Protection and Affordable Care Act; Exchange Functions: Eligibility for Exemptions; Miscellaneous Minimum Essential Coverage Provisions

<https://www.federalregister.gov/articles/2013/07/01/2013-15530/patient-protection-and-affordable-care-act-exchange-functions-eligibility-for-exemptions>

### **About Peoples Tax**

Peoples Tax & Business Services is a local Richmond, VA business founded by Chuck McCabe in 1987. Peoples operates five Richmond-area offices providing individual and small business tax preparation and accounting. Peoples Tax received the Better Business Bureau Torch Award for Marketplace Integrity and has an A+ BBB rating. Peoples' Triple Guarantee assures you of Accuracy, Year-Round Service and Satisfaction or you pay no fee! For information call 804-204-1040 or visit [www.peopletax.com](http://www.peopletax.com).