

# How the Affordable Care Act Impacts Your Taxes

This is the second year taxpayers will be reporting their health insurance status on tax returns. While most taxpayers are familiar with the process from last year, we've created the following guide to help you understand how the ACA might impact your tax situation. In this guide, you'll find specific information around (a) how the ACA might affect your taxes, (b) which 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.

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

For a full list of qualifying plan types, visit [www.healthcare.gov/fees-exemptions/plans-that-count-as-coverage/](http://www.healthcare.gov/fees-exemptions/plans-that-count-as-coverage/).

## New tax forms to expect

- **Form 1095-C:** Your employer (if your employer has more than 49 employees) may provide you and the IRS with Form 1095-C, which provides information about your plan and who was covered. You may receive this form even if you did not enroll in a plan your employer offered to you.
- **Form 1095-B:** Government-sponsored programs, employer-sponsored plans, private insurers and self-funded plans may provide each policyholder and the IRS with information summarizing the coverage provided on Form 1095-B.
- You may receive both Form 1095-B and Form 1095-C if you work for a large employer who self-insures.

*Disclaimer: This is the first year for 1095 B's and C's and not everyone who should receive one of these forms will get one. You do not need these forms to file your taxes.*

## What I need from you

- All of the usual documentation you provide
- **Form 1095-C or 1095-B,** If you receive a 1095 B or C, you should plan to provide me with a copy. However, you do not need these forms to file. If you receive them, review them for accuracy and keep them for your records.
- Other documentation serving as proof of coverage includes insurance cards, explanation of benefits' statements from your insurer and W-2 or payroll statements reflecting health insurance deductions.

# 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 (healthcare.gov or your state health insurance exchange).

Did you receive a 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 2015 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 so the government can make sure that you received the right amount of subsidy based on your actual income for tax year 2015.

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.

## Tax forms to expect

- **Form 1095-A:** If you purchased insurance through the Health Insurance Marketplace you will receive Form 1095-A, which shows details of your insurance coverage including the effective date, amount of premium and the advance premium tax credit.

## What I need from you

- All of the usual documentation you provide
- **Form 1095-A**

# I don't have health insurance.

Under the ACA, individuals who did not have health insurance for more than two months in 2015 must pay a tax penalty. However, the ACA 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 8.05 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 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/](http://www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/)

If you've been uninsured for fewer than two consecutive months of the year, you don't need to apply for an exemption. Individuals who did not have health insurance for more than two months in 2015 must pay a tax penalty.

**Note:** 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. However, if you did receive a tax credit to help pay for your insurance premiums you now need to submit a tax return to reconcile your credits.

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, which may require 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](http://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 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 2015 tax return. This year, the penalty is \$395 per adult or 2% of adjusted household income. 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. In 2016, the penalty rises to \$695 per adult, \$347.50 per child – or 2.5 percent of your household income.

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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.