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ABC's of the Premium Tax Credit



Agenda

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



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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



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PTC Eligibility



Must meet all 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)



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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

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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

Important: Report changes to the Marketplace when they happen



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How to claim the PTC

- Based on actual 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



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Forms needed to claim PTC



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



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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



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| | | |
|--|--|--|
| Form 8962 | Premium Tax Credit (PTC) | OMB No. 1545-0074 |
| Department of the Treasury Internal Revenue Service | <p>▶ Attach to Form 1040, 1040A, or 1040NR.</p> <p>▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.</p> | <p>2014 Attachment Sequence No. 73</p> |
| Name shown on your return | Your social security number | Relief (see instructions) <input type="checkbox"/> |
| Part 1: Annual and Monthly Contribution Amount | | |
| 1 Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d . | 1 | |

- File Form 8962 with tax return to
- claim the premium tax credit and
 - reconcile APTC



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

| | | | |
|-----------|--|-----------|--|
| 1 | Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d | 1 | |
| 2a | Modified AGI: Enter your modified AGI (see instructions) | 2a | |
| | | b | Enter total of your dependents' modified AGI (see instructions) |
| 2b | | | |
| 3 | Household Income: Add the amounts on lines 2a and 2b | 3 | |
| 4 | 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 <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC | 4 | |
| 5 | 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.) | 5 | |
| 6 | Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%. <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> 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. | | |
| 7 | Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions | 7 | |
| 8a | Annual Contribution for Health Care: Multiply line 3 by line 7 | 8a | |
| | | b | Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount |
| | | 8b | |

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

- 9** Did 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 and continue to line 24. **No. Continue to lines 12–23.** Compute your monthly PTC and continue to line 24.

| 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) | 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) |
| 12 January | | | | | | |
| 13 February | | | | | | |
| 14 March | | | | | | |
| 15 April | | | | | | |
| 16 May | | | | | | |
| 17 June | | | | | | |

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Completing Part 3 of Form 8962



| | | | |
|--|--|--|---|
| Form 8962 Department of the Treasury Internal Revenue Service | Premium Tax Credit (PTC) | | OMB No. 1545-0074 |
| | ▶ 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) <input type="checkbox"/> | |

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 | 27 | |
| 28 | Repayment Limitation: Using the percentage on line 5 and your filing status, locate the repayment limitation amount in the instructions. Enter the amount here | 28 | |
| 29 | 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 | 29 | |

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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 . | | OMB No. 1545-0074 |
| | | | 2014 Attachment Sequence No. 73 |

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

| | | | | |
|-----------|---|---|---------------------------------|---|
| 30 | a Policy Number (Form 1095-A, line 2) | b SSN of taxpayer sharing allocation | c Allocation start month | d Allocation stop month |
| | | | | |
| | Allocation percentage applied to monthly amounts | e. Premium Percentage | f. SLCSPP Percentage | g. Advance Payment of the PTC Percentage |
| | | | | |

Shared Policy Allocation 2

| | | | | |
|-----------|---|---|---------------------------------|---|
| 31 | a Policy Number (Form 1095-A, line 2) | b SSN of taxpayer sharing allocation | c Allocation start month | d Allocation stop month |
| | | | | |
| | Allocation percentage applied to monthly amounts | e. Premium Percentage | f. SLCSPP Percentage | g. Advance Payment of the PTC Percentage |
| | | | | |

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Completing Part 5 of Form 8962



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| | | |
|--|--|---|
| Form 8962 | Premium Tax Credit (PTC) | OMB No. 1545-0074 |
| Department of the Treasury Internal Revenue Service | <p>▶ Attach to Form 1040, 1040A, or 1040NR.</p> <p>▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.</p> | 2014 Attachment Sequence No. 73 |
| Name shown on your return | Your social security number | Relief <input type="checkbox"/> (see instructions) |

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.

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



Return Preparer Interview Best Practices



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- 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



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



Common Errors



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- 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

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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



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Resources

- [IRS.gov/aca](https://www.irs.gov/aca)
- [IRS.gov/taxpros](https://www.irs.gov/taxpros)
- [HealthCare.gov](https://www.healthcare.gov)
- Publication 974 – Premium Tax Credit
- Instructions and Form 8962, Premium Tax Credit



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