



[ Outreach and Enrollment Distance Learning Series ]



# Taxes and Consumer Education

August 13, 2015

**Welcome to the Outreach and Enrollment Webcast Series**

All lines are muted. Please use chat to ask a question to the chairperson.

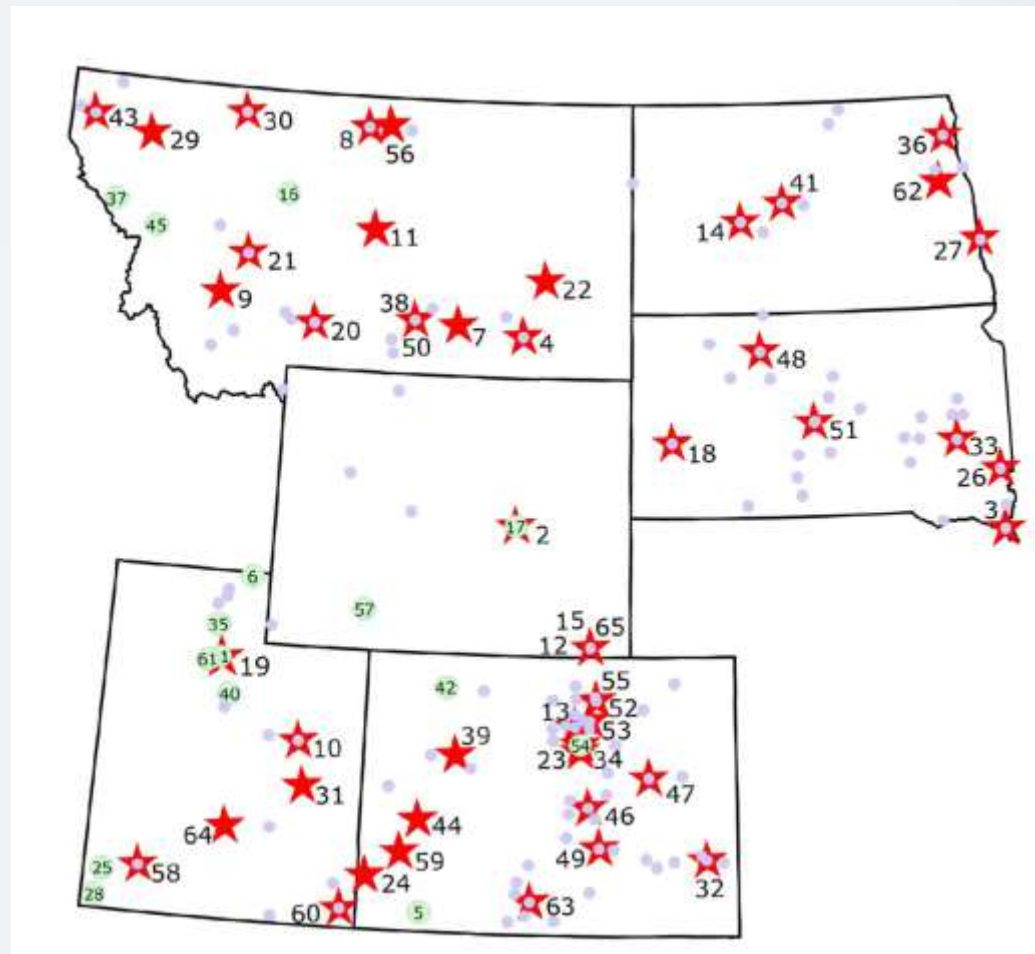
# 2015 Outreach and Enrollment Distance Learning Series: Upcoming Events

- Visit the CHAMPS Distance Learning Page for more information
  - Motivating Consumers to Enroll in Coverage—September 10, 2015
  - Communication Strategies for OE3—October 8, 2015

# Community Health Association of Mountain/Plains States (CHAMPS)



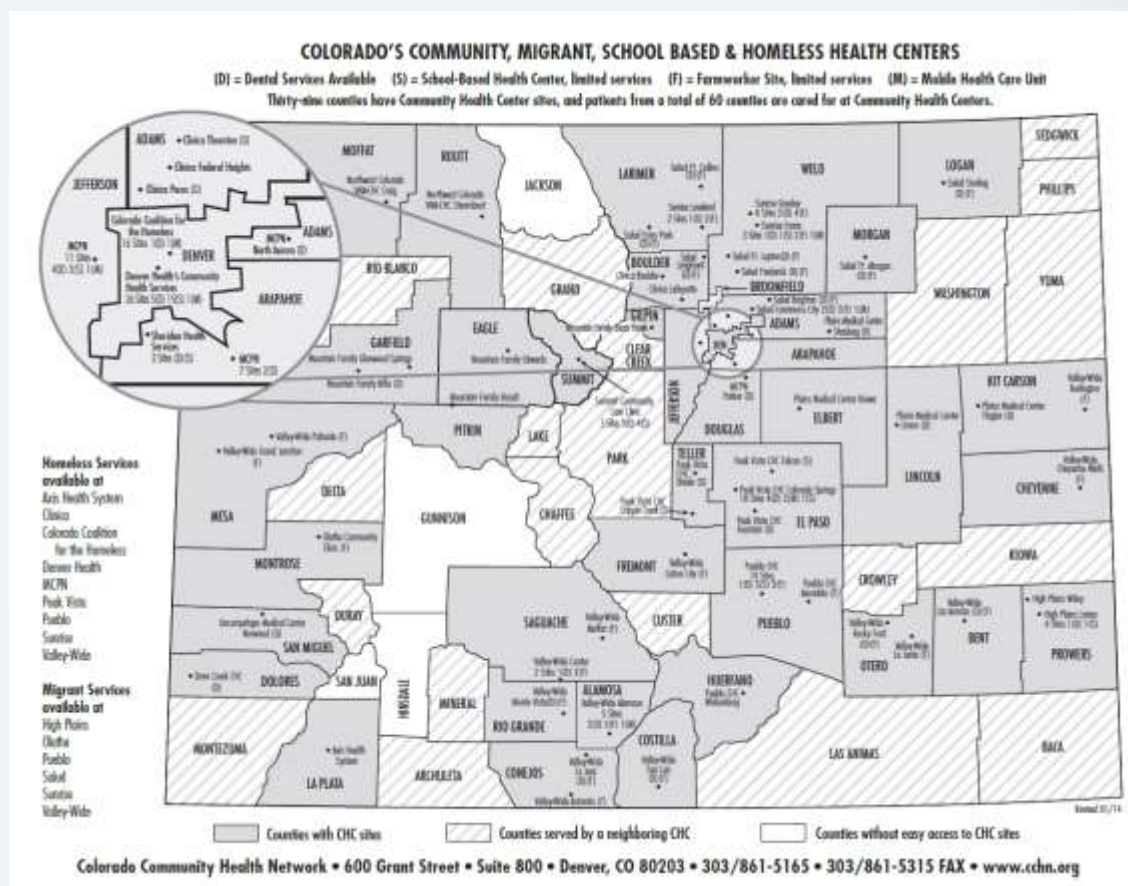
[www.champsonline.org](http://www.champsonline.org)



# Colorado Community Health Network (CCHN)



[www.cchn.org](http://www.cchn.org)



**Presented by:**

**TARA STRAW**

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Health Reform: **Beyond the Basics**

[healthreformbeyondthebasics.org](http://healthreformbeyondthebasics.org)

# Tax Tips for Enrollment Assistants

*Tara Straw*

August 13, 2015

- Projecting household members
- Projecting income
- Exemptions overview
- Individual responsibility payment
- Premium tax credit reconciliation

## Eligibility

FILING STATUS	<b>Filing status/dependency</b> <ul style="list-style-type: none"><li>• Cannot be claimed by a dependent</li><li>• Cannot be married filing separately<ul style="list-style-type: none"><li>– Exceptions for domestic violence and abandoned spouses</li></ul></li></ul>
ENROLL IN QHP	<b>Enrolled in a plan through a marketplace</b> <ul style="list-style-type: none"><li>• Marketplace prohibits enrollment of people who are:<ul style="list-style-type: none"><li>– Incarcerated or Undocumented immigrants</li></ul></li><li>• However, family members of those individuals may enroll</li></ul>
INCOME	<b>Household income between 100% and 400% of the federal poverty level (FPL)</b> <ul style="list-style-type: none"><li>• Lawfully residing immigrants who are ineligible for Medicaid are eligible even if income is below 100% FPL</li></ul>
NO MEC	<b>Not eligible for other public or employer-sponsored coverage</b>



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# Determining Households

# Determining Tax Dependents

## Who Can Be Claimed as a Qualifying Child?

### Children

A child can include the tax filer's child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild



In general a child can be claimed as a Qualifying Child if she...



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Lives with the tax filer for more than half the year



Is under 19 at the end of the year (or 24 if a full-time student or any age if disabled)



Doesn't provide more than half of her own support

# Determining Tax Dependents

## Who Can Be Claimed as a Qualifying Relative

### Other individuals

Other individuals can include a relative or a full-time member of the tax filer's household who is not a relative



**In general a person can be claimed as a Qualifying Relative if he...**



Cannot be claimed as a Qualifying Child



Is a U.S. citizen or resident (for tax purposes) of the U.S., Canada or Mexico



Receives more than 50% of his support from the tax filer



Is related to the tax filer or lives in the tax filer's home all year



Gross income less than \$4,000 in 2015 (generally doesn't include social security)

# Tricky Situations

## *Children of Divorced or Separated Parents*

- The person who claims the child as a dependent can claim PTCs for the child. Usually, this is the custodial parent.
- For a noncustodial parent to claim the child, the custodial parent must sign a tax form granting him the child's exemption
  - If that happens, the noncustodial parent can claim PTCs for the child (if eligible)
- The parent claiming the child's exemption is also liable for the penalty if the child is uninsured



## *College Students*

- Usually a college student will be a dependent of the parent.  
Consider, in particular:
  - Is the child too old? Must be under age 24, if a full-time student
    - A person is a full-time student if he is a full-time student for 5 months of the year (one semester)
  - Is the child paying more than half of their own support?
    - Loans in a child's name count as his or her own support
- Graduating students or students leaving school
  - Consider whether they should be included in their parents household
  - A student may have trouble proving income if they have never filed taxes and have speculative employment
  - A person can be included in their parents' household, then file and reconcile separately.

- In general, a person who is married must file jointly with his or her spouse in order to claim PTC.
- **Three exceptions** to the joint filing requirement
  - Head of Household
  - Domestic abuse
  - Abandoned spouse
- If a person will file taxes as Married Filing Separately and doesn't qualify for one of these exceptions, he or she could still be eligible for Medicaid and to purchase health insurance in the Marketplace (without PTC).

# Exceptions to the Joint Filing Requirement for PTCs

## Who Qualifies for PTC Even if Filing Separately from a Spouse?

### Head of Household

Some people who are married but do not file taxes with their spouse are eligible for PTCs if they qualify and file as Head of Household.



#### ASSISTERS TIP

##### When Can a Married Person File as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

Will you file taxes separately from your spouse in the year in which the premium tax credit is received?  Yes  No

Will you live separately from your spouse from July 1 to December 31 in that year?  Yes  No

Will you pay more than half of the cost of keeping up your home in that year?  Yes  No

Do you have a child, stepchild, or foster child (of any age) who lives with you for more than half the year?  Yes  No

Will either you or the child's other parent claim the child as a dependent?  Yes  No

If all answers are yes, the applicant is Head of Household and is considered unmarried. If the answer to any of these questions is No, the applicant cannot file as Head of Household.

## Example: Head of Household

Chuck is separated from his wife but not divorced. They will not file taxes together in 2015. Chuck has an adult son, Michael, who is unemployed, has no income and is living with Chuck. They both need health insurance.



### ASSISTERS TIP

#### When Can a Married Person File as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

- Will you file taxes separately from your spouse in the year in which the premium tax credit is received?  Yes  No
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- Will you pay more than half of the cost of keeping up your home in that year?  Yes  No
- Do you have a child, stepchild, or foster child (of any age) who lives with you for more than half the year?  Yes  No
- Will either you or the child's other parent claim the child as a dependent?  Yes  No

If all answers are yes, the applicant is Head of Household and is considered unmarried. If the answer to any of these questions is No, the applicant cannot file as Head of Household.

Chuck appears to qualify to file as Head of Household because he would be “considered unmarried” by the IRS.



Is  married?

- Yes  
 No



## Example: Head of Household

**New facts:** Chuck's marital situation is the same and his adult son, Michael, still lives with him. However, Michael is employed and not his dependent.



### ASSISTERS TIP

#### When Can a Married Person File as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

Will you file taxes separately from your spouse in the year in which the premium tax credit is received?  Yes  No

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Do you have a child, stepchild, or foster child (of any age) who lives with you for more than half the year?  Yes  No

Will either you or the child's other parent claim the child as a dependent?  Yes  No

If all answers are yes, the applicant is Head of Household and is considered unmarried. If the answer to any of these questions is No, the applicant cannot file as Head of Household.

Chuck does not appear to qualify to file as Head of Household because he is not supporting a child who is his dependent.



Is [redacted] married?

Yes

No

Does [redacted] plan to file a joint federal income tax return with his spouse for [redacted]?

Yes


No

# Exceptions to the Joint Filing Requirement for PTCs

## Who Qualifies for PTC Even if Filing Separately from a Spouse?

### Domestic abuse\*

- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she:
  - Lives apart from the spouse
  - Is unable to file a joint return because of domestic abuse



Is [redacted] married?

Yes

No

### Abandoned spouses\*

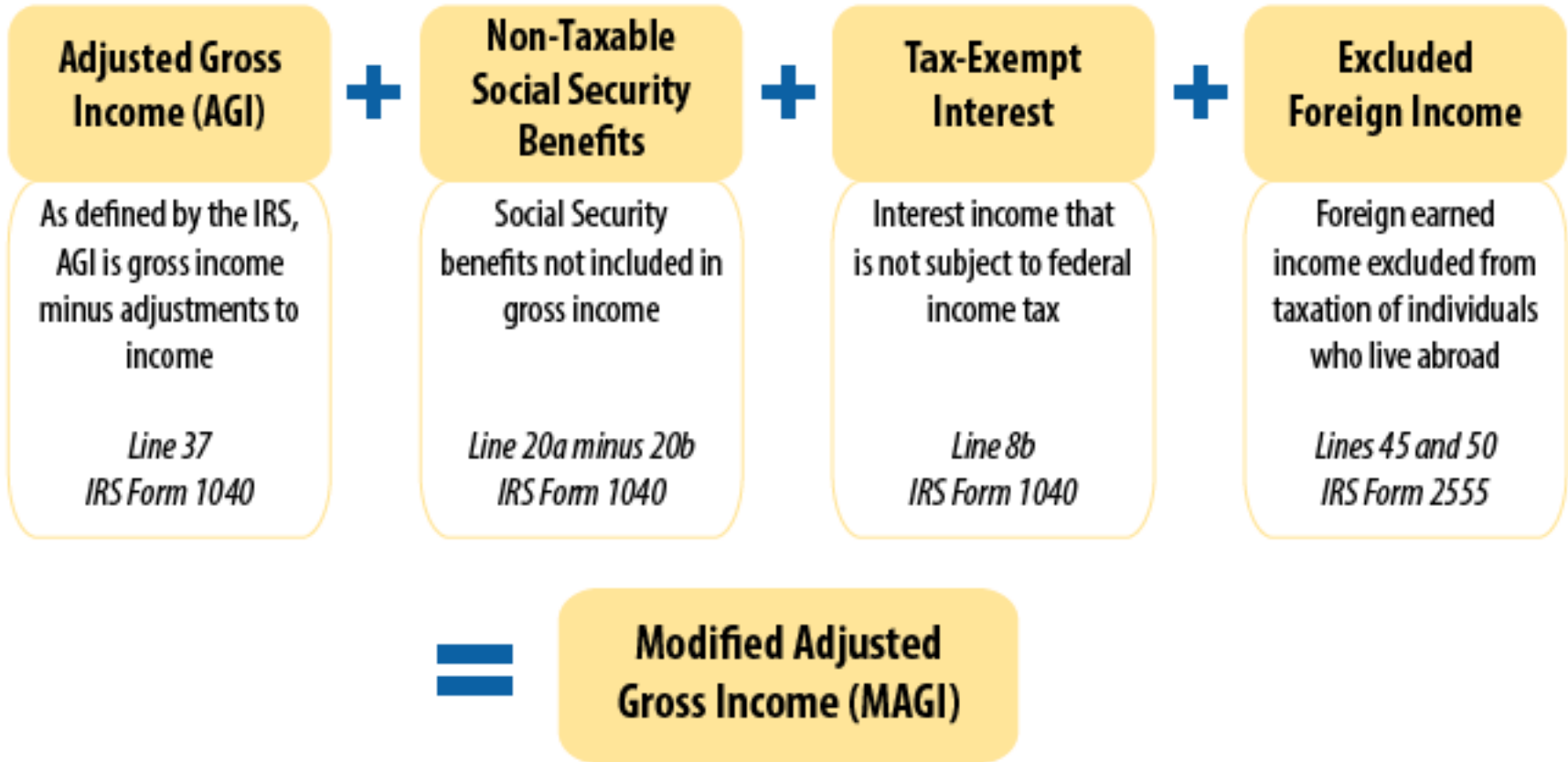
- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she is:
  - Living apart from the spouse
  - Unable to locate spouse after using due diligence

*\* Can be used for a maximum of three consecutive years*

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# What Counts as Income for PTCs and Medicaid

# What Is MAGI?



- All income is taxable unless specifically excluded by law from taxation
- Pre-tax deductions are not included in MAGI
- Social security (including survivors benefits and disability insurance) are generally not taxable but are included in the MAGI of a person with a tax filing requirement.

Examples of Taxable Income	Examples of Non-Taxable Income
Wages, salaries, bonuses	AFDC payments
Alimony received	Child support payments
Self-employment income	Sickness and injury payments
Tips and gratuities	Supplemental Security Income (SSI)
Farm income	Veterans benefits
Rent income	Workers compensation

See IRS Publications 17 and 525 for more details on what income is taxable and not taxable

## When to Count a Dependent's Income

- Household's MAGI = MAGI of tax filer and all tax dependents who are *required* to file a tax return
- In general, a single dependent under age 65 has a filing requirement if (2015 figures):
  - Unearned income of >\$1,050, OR
  - Earned income of >\$6,300, OR
  - Taxable gross income was more than the larger of: \$1,050 or earned income (up to \$5,950) plus \$350.
- In making this determination, Supplemental Security Income (SSI) and non-taxable Social Security benefits are not counted.
- After determining that the dependent has a tax filing requirement, both taxable and non-taxable Social Security (but not SSI) count towards a household's MAGI

## Example: Single Adult with Dependent

- Jill lives with Ryan, her 14-year-old grandson, and claims him as a tax dependent.
  - \$18,000 – Jill’s income
  - \$7,000 – Ryan’s income from Social Security survivors’ benefits
- Ryan does not have a tax filing requirement so his income is not counted.
- Even if Ryan’s Social Security benefits are paid to Jill on his behalf, the benefits are Ryan’s income.



Jill and Ryan’s household income for premium tax credits is \$18,000

## Example: Single Adult with Dependent

- Jill lives with Ryan, her 14-year-old grandson, and claims him as a tax dependent.
  - \$18,000 – Jill's income
  - \$7,000 – Ryan's income from a part-time job
- Ryan's income is above the tax filing threshold for a dependent, so his income is counted towards the household's MAGI.



Jill and Ryan's household income for premium tax credits is \$25,000



## Example: Single Adult with Dependent

- Jill lives with Ryan, her 14-year-old grandson, and claims him as a tax dependent.
  - \$18,000 – Jill's income
  - \$7,000 – Ryan's income from a part-time job
  - \$7,000 – Ryan's income from Social Security survivor's benefits
- Ryan's income is above the tax filing threshold for a dependent, so his income (including Social Security) is counted towards the household's MAGI.



Jill and Ryan's household income for premium tax credits is \$32,000

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# Exemptions

# Exemptions from the Penalty

## Granted by Marketplace

- Insurance is unaffordable (*based on projected income*)
- Hardships, including:
  - Life circumstances
  - State failure to expand Medicaid
- Eligible for Indian Health services
- Member of certain religious sects

## Granted at Tax Filing

- Income below filing threshold
- Insurance is unaffordable (*based on actual income*)
- Certain noncitizens
- Short coverage gap (< 3 months)

## Granted by the Marketplace or at Tax Filing

- Indian tribe membership
- Incarceration
- Health care sharing ministry

# Why apply for an exemption through the Marketplace?



## Assister Tip!

- If you believe a client is eligible for an exemption from the Marketplace, it's often best to help them apply for it in advance, rather than waiting for tax time.
- In some cases, the client's situation may change by the end of the year.
  - For example, if a client is currently unemployed and has an income projection that puts him or her in the Medicaid coverage gap, apply for Medicaid to get the denial and exemption. Don't assume another income-based exemption will be available on the tax return.

### Hardship application

<https://marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf>

## Hardship Exemptions Granted by Marketplace

### Financial or domestic circumstances

1. *Homelessness*
2. *Eviction in the last 6 months or facing eviction or foreclosure*
3. *Utility shut-off notice*
4. *Domestic violence*
5. *Recent death of a close family member*
6. *Disaster that resulted in significant property damage*
7. *Bankruptcy in the last 6 months*
8. *Debt from medical expenses in the last 24 months*
9. *High expenses caring for ill, disabled or aging relative*
10. *Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP*
11. *Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled*
12. *Determined ineligible for Medicaid because the state did not expand*
13. *Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable*
14. *Other hardship in obtaining coverage*

## Duration

At least one month before and after hardship

## When to Apply

Up to 3 years after the month of the hardship (but documentation is required in most circumstances so earlier is better)

# Exemption for Adults in States that Did Not Expand Medicaid

## In 2015, this exemption requires a Medicaid application and denial

- Available to low-income adults (<138% FPL)
- To receive this exemption, the taxpayer must:
  - Have applied for Medicaid before December 31, 2015, and
  - Be denied Medicaid because the state did not expand coverage
- **Problem**: Few people understand that a denial is required in order to get the exemption
- For those who did apply for and were denied Medicaid....
  - Many will receive an automatic exemption without applying for the exemption at the Marketplace
  - A person will not get an automatic exemption if he or she:
    - Applied directly at the state Medicaid agency instead of the Marketplace
    - Applied at the Marketplace but had income above the poverty line
  - *If a person did not apply for Medicaid in 2015, they are ineligible for this exemption.*

# Example: Choosing among exemptions



- Jay and Kim are married. They are starting a dog walking service and estimate 2015 income of **\$18,000 (114% FPL)**.
- At healthcare.gov, they find out that they are not eligible for Medicaid (in a non-expansion state) but are eligible for PTC.
- But it's May 7 and they learn that enrollment is closed. They don't qualify for a SEP. They are uninsured the entire year.

Exemption	Are they eligible?	Duration of the exemption	What do they do to claim the exemption?
<b>Medicaid coverage gap</b>	Yes. Even though they are eligible for PTC, they qualify for this exemption.	All year but must report changes that would cause loss of eligibility	Submit a hardship application to Marketplace, with the eligibility determination as documentation
<b>Affordability based on projected income</b>	Not right now. Only available during a special or open enrollment period.	Future months in the year.	N/A
<b>Affordability based on actual income</b>	Maybe, if Marketplace coverage <i>after PTC</i> costs more than 8.05% of income	All year	This is claimed on the tax return.
<b>Below filing threshold</b>	Maybe. Projected income is \$18,000 but if their income is higher than expected, they may end up over the filing threshold (\$20,600 if MFJ) and ineligible	All year	This is claimed on the tax return, if one is filed. If no return is filed, the exemption applies automatically.

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# Individual Responsibility Payment



- **Calculate Individual Responsibility Payment** for a taxpayer, spouse or dependent who is uninsured, has income above the filing threshold and is not eligible for an exemption.

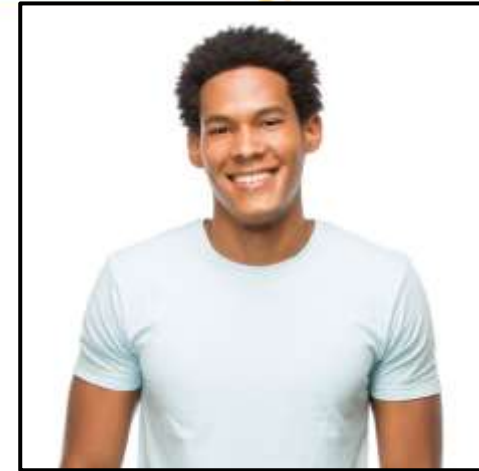
Individual Responsibility Payment <sup>†</sup>				
<i>If income is above filing threshold, the penalty is the greater of...</i>				
Year				
2014	<b>NO PENALTY</b> if income is less than filing threshold	\$95 per adult, \$47.50 per child (up to \$285)	<b>or</b>	1% of income above the tax filing threshold*
2015		\$325 per adult, \$162.50 per child (up to \$975)	<b>or</b>	2% of income above the tax filing threshold*
2016		\$695 per adult, \$347.50 per child (up to \$2,085)	<b>or</b>	2.5% of income above the tax filing threshold*
2017		<i>Values are increased by a cost of living adjustment</i>		
	<i>In 2015:</i> <b>Single</b> \$10,300 <b>MFJ</b> \$20,600			

<sup>†</sup> The penalty calculation is for a person who is uninsured all year. If a person is uninsured for only some months, prorate the payment.

\*Capped at the national average premium of a bronze level plan purchased through a Marketplace.

# Example: Joe (Single)

Income:	\$17,000	2015 Tax Filing Threshold:	\$10,300
Filing Status:	Single	Months Uninsured:	12
Adults:	1		
Children:	0		



### Payment Calculation:

$$\begin{aligned}
 1. \quad & \$17,000 - \$10,300 = && \$6,700 \\
 & && \underline{\quad \times 2\%} \\
 & && \mathbf{\$ 134}
 \end{aligned}$$

2.  $\$325 \times 1 \text{ adult} =$

**\$325.00** *Report on F1040, Line 61*

**Note:** In tax year 2014, Joe would have paid only \$95. If everything remains the same, in 2016 he may pay \$695.

Form 1040						
Other Taxes	57	Self-employment tax. Attach Schedule SE	57			
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58			
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59			
	60a	Household employment taxes from Schedule H	60a			
	60b	b First-time homebuyer credit repayment. Attach Form 5405 if required	60b			
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61			<b>\$325</b>
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62				
63	Add lines 56 through 62. This is your <b>total tax</b>	63				

## Volunteer Income Tax Assistance (VITA)

- For families with income below \$53,000
- **45,000** IRS-certified tax preparers
- **1.7 million** tax returns filed
  - Plus 200,000 facilitated self-assistance
- **5,367** sites nationwide
- Most sites operated by local non-profits

## Tax Counseling for the Elderly (TCE)

- For people age 60 and older
- **35,000** IRS-certified tax volunteers
- **1.7 million** tax returns
- **5,519** sites nationwide
- Most are operated by AARP Foundation's Tax Aide program

## Tax preparers start at a disadvantage in:

- General ACA knowledge and state variation
- Knowledge about what happened in the application process 15-18 months earlier
- Being asked for explanations of these things we don't know about
- Potentially being the bearer of bad news
- Encountering resistance

**So – be nice!**

**Remember:** The first three weeks of the tax season are generally the busiest.

[www.irs.gov/vita](http://www.irs.gov/vita)

## Contact Info



- Tara Straw, [tstraw@cbpp.org](mailto:tstraw@cbpp.org)

For more information and resources, please visit:

[www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

*This is a project of the Center on Budget and Policy Priorities, [www.cbpp.org](http://www.cbpp.org)*

# QUESTIONS?

Type all questions into the chat box on the left side of the screen.