Beyond the Basics of Exemptions and Special Enrollment Periods

Center on Budget and Policy Priorities
March 26, 2014
Part I:

SPECIAL ENROLLMENT PERIODS
Open Enrollment

Annual Period When All Eligible Individuals Can Enroll in a Qualified Health Plan

• Marketplaces will determine eligibility to enroll in a QHP, assess (or determine) eligibility for Medicaid and CHIP, and determine eligibility for premium tax credits and cost-sharing reductions all year.
• But a person can only enroll in a QHP during open enrollment or during a special enrollment period.
A person must be enrolled in a QHP to receive subsidies

1. Marketplace Plan or QHP
2. Tax Credit and Cost-Sharing Reduction
Outside of open enrollment, when can someone enroll in or switch Marketplace plans (or QHPs)?

**SPECIAL ENROLLMENT PERIOD**

- Can occur at any point in the year
- Is triggered by specific life events
- Usually gives a person 60 days from the triggering event to take action
SEPs Triggered Regardless of QHP Enrollment

• **Life Changes**
  – Marriage
  – Birth, adoption, placement for foster care or adoption
  – Becoming a citizen, national, or lawfully present individual
  – Permanent move

• **Loss of Minimum Essential Coverage (MEC)**
  – Includes loss of eligibility for employer coverage, Medicaid, CHIP, COBRA
  – Also triggered when an enrollee in employer plan becomes newly eligible for subsidies because employer plan is no longer affordable or adequate
  – Does not generally include voluntary termination of other MEC

• **Other Situations**
  – Error or inaction by Marketplace or HHS
  – Exceptional Circumstances
  – Misconduct by a non-Exchange entity
  – Special rule for Indians and Alaska Natives
SEPs Triggered Only for QHP Enrollees

- Enrollee demonstrates the QHP he or she was enrolled in substantially violated a material provision of its contract in relation to the enrollee.
- Enrollee (or a dependent enrolled in the same QHP) is newly eligible or ineligible for an advance premium tax credit (APTC).
- Enrollee (or a dependent enrolled in the same QHP) has a change in eligibility for cost-sharing reductions (CSRs).
SEP Timing: Usually 60 Days from Triggering Event

- Rashid becomes a citizen in June. This triggers an SEP.
  - He has 60 days from the date of naturalization to enroll in a QHP.

- John loses his employer coverage.
  - He has 60 days from the loss of the coverage to select a QHP.
Cost-Sharing Charges and SEPs

• Annual deductibles and out-of-pocket caps are set on a calendar-year basis.
• These charges are not pro-rated for people using an SEP to enroll in a QHP later in the year.
• People using an SEP to change to a different QHP during the year “start over” on cost-sharing charges.
Example: Cost-Sharing Charges and SEPs

- John loses job-based coverage and enrolls in a QHP starting in June.

- The plan has a $2,000 deductible, the same as it would have had if John had started coverage in January.
“Life Change” Example: Marriage

- Jay and Kim get married.
- They both get an SEP.

Their SEP Options:
- Scenario 1: Jay has a QHP.
  - Kim could join his QHP.
  - Kim could enroll in a different QHP.
  - Jay could enroll in a different plan with Kim.
- Scenario 2: Neither Jay nor Kim has coverage.
  - They could both newly enroll in a QHP.
“Life Change” Example: Birth of a Baby

• Maya gave birth to her son, Lucas, on June 15

Their SEP Options:
• Scenario 1: Maya has a QHP.
  ✓ She decides to add Lucas to her QHP.
• Scenario 2: Maya isn’t enrolled in a QHP.
  ✓ She enrolls herself and Lucas in a QHP.
“Life Change” Example: Permanent Move

• Nadif, Fatima and Amina move to a new state

Their SEP Options:
✓ All members of the family can newly enroll in coverage.
✓ All members of the family can change to a different QHP in their new state.

• This SEP applies if they make a permanent move:
  – To a new state
  – To a different part of the same state (potentially the same city or a neighboring county) provided they gain access to new QHPs
  – Back to the U.S. after living abroad
## “Life Change” SEPs: Coverage Effective Dates

<table>
<thead>
<tr>
<th>SEP Triggering Event</th>
<th>Special or Regular Coverage Effective Date?</th>
<th>When Does Coverage Start?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marriage</td>
<td>Special</td>
<td>First day of the following month</td>
</tr>
<tr>
<td>Birth, Adoption, Adoption or Foster Care Placement</td>
<td>Special</td>
<td>Date of the birth, adoption, or placement</td>
</tr>
<tr>
<td>Becoming a Citizen, National, or Lawfully Present Individual</td>
<td>Regular</td>
<td>First day of following month if plan selected between the 1\textsuperscript{st} and 15th</td>
</tr>
<tr>
<td>Permanent Move</td>
<td></td>
<td>First day of second following month if plan selected between the 16\textsuperscript{th} and the last day of the month</td>
</tr>
</tbody>
</table>
Birth of a Baby: Coverage Effective Date

• Maya gave birth to Lucas on June 15.
• Maya is already enrolled in a QHP.
• Maya contacts the exchange in her state on June 20 and asks for Lucas to be added to her plan.

• Lucas’s coverage is effective as of June 15.
  (A proposed rule may let Maya set the date later.)
Permanent Move: Coverage Effective Date

- Nadif, Fatima, and Amina move in early August from Illinois to Ohio.
- They have been uninsured.
- They apply at the exchange in Ohio and select a plan on August 5.

- The coverage effective date for the family is September 1

NOTE: If they select a plan on August 20, the coverage would begin October 1.
Examples of “Loss of Minimum Essential Coverage” SEPs

- Loss of eligibility for an employer plan (i.e., loss of a job or a reduction in work hours)
- Loss of eligibility for Medicaid or CHIP
- Loss of coverage due to divorce or legal separation
- Expiration of COBRA coverage
- Loss of coverage due to loss of dependent status
- Loss of coverage due to death of policyholder
## “Loss of MEC” SEPs: Coverage Effective Dates

<table>
<thead>
<tr>
<th>Triggering Event</th>
<th>When does coverage start?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of MEC</td>
<td>First day of the following month</td>
</tr>
<tr>
<td>Future loss of MEC (within the next 60 days)</td>
<td>First day of the month after the old coverage ends</td>
</tr>
</tbody>
</table>
Example: Loss of Employer Coverage

- Joe and Danielle are enrolled in health insurance that Danielle gets through her job.
- Danielle loses her job in May, and her health benefits are scheduled to end on May 31.
  - She is offered COBRA, but it would cost a lot.
- Joe and Danielle instead apply for coverage at the Marketplace in their state.
  - They qualify for subsidies and an SEP for loss of MEC.

**SEP Triggered**

- Danielle loses her job
- They select a QHP on May 20
- The coverage is effective June 1, as are the subsidies

May 20, May 31, June 1
“Other Situation” SEPs

• Error or inaction by Marketplace or HHS
  – Enrollment or non-enrollment in a QHP was the result of error, misrepresentation, or inaction of an officer, employee, or agent of the Exchange or its instrumentalities.
  – Exchange evaluates and determines eligibility for SEP.

• Exceptional circumstances
  – Subject to HHS guidelines.
  – Per 2013 federal guidance, so far includes people who obtain a hardship exemption from the shared responsibility penalty and then (due to changes in circumstance) lose eligibility for the hardship exemption.
Example: Loss of Hardship Exemption

• George works as a carpenter in Missouri.
• His income is 90% of the federal poverty line.
• He is ineligible for Medicaid because his state has not expanded Medicaid.
  – Because of this, obtains a hardship exemption.
• Recently, he took on a new client. That raises his income above 138% of the poverty line and means that he is no longer eligible for this particular hardship exemption.

The loss of the hardship exemption triggers an SEP to get a Marketplace plan. He is also eligible for subsidies.
“Other Situation” SEPs (continued)

• Misconduct by a non-exchange entity providing formal enrollment assistance
  – Exchange determines that someone was not enrolled in the QHP, not enrolled in the QHP selected by the individual, or is eligible but not receiving subsidies as a result of misconduct by an entity providing enrollment assistance or conducting enrollment activities.
  – HHS interprets this provision as applying to navigators, non-navigator assisters, certified application counselors, agents or brokers assisting exchange consumers, and insurer customer service representatives.
“Other Situation” SEPs (continued)

• Special rule for American Indians and Alaska Natives
  – Applies to people defined as Indian by section 4 of the Indian Health Care Improvement Act.
  – They may enroll in a QHP or change from one QHP to another one time per month.
### “Other Situation” SEPs: Coverage Effective Dates

<table>
<thead>
<tr>
<th>Triggering Event</th>
<th>When does coverage start?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Error or inaction by Marketplace or HHS</td>
<td>Effective date must be appropriate to circumstances of the event and consistent with HHS guidelines</td>
</tr>
<tr>
<td>Exceptional circumstances</td>
<td>Same as above</td>
</tr>
<tr>
<td>Misconduct by non-exchange entity providing enrollment assistance</td>
<td>Same as above (per proposed rule)</td>
</tr>
<tr>
<td>Special rule for American Indians and Alaska Natives</td>
<td>First day of following month if plan selected between the 1\text{st} and 15\text{th}; first day of second following month if plan selected between the 16\text{th} and the last day of the month</td>
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</table>
What does not trigger a SEP?

• Voluntarily dropping other coverage
• Loss of eligibility for coverage when the person was not enrolled in it (i.e., loses job, but was not in the employer’s health plan)
• Being determined newly eligible for Marketplace subsidies – unless already enrolled in a QHP
• Income change on its own
• Being terminated from other coverage for not paying premiums or for fraud
• Divorce or death of a family member without a resulting loss of coverage
Example: No SEP for Income Change

- Carla’s employer offers coverage, but she does not enroll.
- Carla finds out in May (after open enrollment ends) that her work hours are being reduced.
  - Her income is dropping and now she would be eligible for subsidies in the exchange.
  - But this does not trigger an SEP.
  - Carla must wait to get coverage until the next open enrollment period.

**Timeline:**
- **March 31:** Open enrollment ends
- **May:** Income drops → No SEP
- **Nov 15:** Open enrollment for 2015 begins
  - **No coverage**
Part II:

EXEMPTIONS FROM THE INDIVIDUAL RESPONSIBILITY REQUIREMENT
Requirement to Have Health Coverage: Key Points

• Everyone is required to have *minimum essential coverage* (MEC) in 2014

• Those without MEC will pay a shared responsibility payment, unless exempt
  – Taxpayer is responsible for dependents

• Coverage requirement, penalties, and most exemptions apply on a monthly basis

• One day rule:
  – A person has coverage for the month if they have coverage for *at least one day* in the month
  – A person is eligible for an exemption for the month if they are exempt for *at least one day* in the month
Key Types of Minimum Essential Coverage

Government-Sponsored Coverage

- Medicare
- Most types of Medicaid
- Most veterans and military coverage
- CHIP

Private Insurance

- Nearly all employer-sponsored insurance
  - Regardless of minimum value or affordability
- Most plans sold in the insurance market (inside or outside the Marketplace)
  - Not short-term coverage or “excepted benefits,” like stand-alone vision or dental insurance

Other Insurance, as designated by the Secretary of HHS

Note: “Single-benefit” coverage is not MEC, e.g., Medicaid for family planning.
Exemptions from the Penalty

 Granted by Marketplace

- Hardship, including:
  - Life circumstances
  - Insurance is unaffordable
  - State failure to expand Medicaid
  - Eligible for Indian Health services
  - Plan cancellation
- Member of certain religious sects

 Granted at Tax Filing

- Income below filing threshold
- Insurance is unaffordable
- Certain noncitizens
- Short coverage gap (< 3 months)
- Gap before effective date of Marketplace coverage purchased during open enrollment

 Granted by the Marketplace or at Tax Filing

- Indian tribe membership
- Incarceration
- Health care sharing ministry

Marketplace Exemptions

• The taxpayer must apply to the Marketplace in a timely way with supporting documentation.

• Certain exemptions make a person eligible to purchase catastrophic coverage (even if they are over age 30).

• In most cases, a person who is granted an exemption by the Marketplace must report a change in circumstances.

www.healthcare.gov/exemptions
# Marketplace Exemptions: Hardship

<table>
<thead>
<tr>
<th>Types of Hardship</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial or domestic circumstances</strong></td>
<td><strong>At least one month before and after hardship</strong></td>
</tr>
<tr>
<td>- Homelessness</td>
<td><strong>Special rule:</strong> Can be claimed up to 3 years after the month of the hardship</td>
</tr>
<tr>
<td>- Eviction in the last 6 months or facing eviction or foreclosure</td>
<td></td>
</tr>
<tr>
<td>- Utility shut-off notice</td>
<td></td>
</tr>
<tr>
<td>- Bankruptcy</td>
<td></td>
</tr>
<tr>
<td>- Domestic violence</td>
<td></td>
</tr>
<tr>
<td>- Recent death of family member</td>
<td></td>
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<tr>
<td>- Disaster that resulted in significant property damage</td>
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<tr>
<td>- Debt from medical expenses</td>
<td></td>
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<tr>
<td>- High expenses caring for ill, disabled or aging relative</td>
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</tr>
<tr>
<td>- Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP</td>
<td></td>
</tr>
<tr>
<td>- Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled</td>
<td></td>
</tr>
<tr>
<td>- Individual health insurance plan was cancelled and Marketplace plans are considered unaffordable</td>
<td></td>
</tr>
<tr>
<td>- Other hardship in obtaining coverage</td>
<td></td>
</tr>
</tbody>
</table>
Example: Hardship

- Rose is uninsured and supports her mother, Priya, who is 66-years-old.
- Her mother has Medicare but had a serious illness that led to high out-of-pocket costs.
- Because Rose was trying to pay her mother’s medical bills, she couldn’t afford insurance for herself.
- Is Rose eligible for an exemption for herself?
  - *Probably. Rose can apply for an exemption for herself due to the high expense of caring for an ill relative.*
Example: Hardship

- Rose also lives with her daughter, Anna, who is also uninsured.
- Under a medical support order, Rose’s ex-husband is required to provide health insurance for Anna. He fails to do this.
- Anna is uninsured in 2014 until May when Rose enrolls her in CHIP.
- Rose claims Anna on her tax return. Is she responsible for the penalty for Anna for January through April?
  - Yes. Rose cannot claim the hardship exemption for the other parent’s failure to fulfill a medical support agreement because Anna was not determined ineligible for Medicaid or CHIP during those months.
Example: Hardship

- Rose also lives with her daughter, Anna, who is also uninsured.
- Under a medical support order, Rose’s ex-husband is required to provide health insurance for Anna. He fails to do this.
- Anna is uninsured in 2014 until May when Rose enrolls her in CHIP.

Instead assume that Anna’s father claims her as a dependent. Does the exemption apply? If not, who is responsible for the penalty?

- No, the exemption does not apply because he is both the parent claiming the child and the parent who was responsible for coverage. Anna’s father will pay the penalty for the months she was uninsured.
## Marketplace Exemptions: Hardship

### Types of Hardship

<table>
<thead>
<tr>
<th>Lack of affordable coverage (&gt;8% of household income)</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household income = adjusted gross income + foreign income + tax-exempt interest</td>
<td></td>
</tr>
<tr>
<td>- For a person who is eligible for employer-sponsored insurance (ESI) that meets minimum value, coverage is unaffordable if:</td>
<td></td>
</tr>
<tr>
<td>- For the employee: the lowest cost self-only plan costs more than 8% of household income.</td>
<td></td>
</tr>
<tr>
<td>- For members of the employee’s family: the lowest cost family plan costs more than 8% of household income.</td>
<td></td>
</tr>
<tr>
<td>- ESI costs more than 8% of household income due to failure to qualify for wellness discounts.</td>
<td></td>
</tr>
<tr>
<td>- For a person who is not eligible for employer-sponsored insurance (ESI):</td>
<td></td>
</tr>
<tr>
<td>- Marketplace coverage for all non-exempt members of the taxpayer’s family costs more than 8% of household income.</td>
<td></td>
</tr>
<tr>
<td>- Based on the lowest cost bronze plan, after premium tax credits.</td>
<td></td>
</tr>
<tr>
<td>All remaining months in year.</td>
<td></td>
</tr>
</tbody>
</table>

### Special rules:

1. Must apply during an open or special enrollment period. The exemption only covers future months. To be exempt for the entire year, apply before the year starts.
2. Applies regardless of change in circumstances.
Sonia Reyes is offered health insurance at work.

- **Household Income:** $47,000
- **Premium Cost to Employee for Employee-Only Plan:**
  $196/mo ($2,350/yr) 5% of income
- **Premium Cost to Employee for Family Plan:**
  $509/mo ($6,110/yr) 13% of income

- No one is eligible for premium tax credits.
- Family coverage is considered affordable because self-only coverage is affordable (<9.5% of MAGI).
Affordability Test for Exemption from Penalty

**Affordability Test for Firewall**
Affordable if employee-only coverage costs <9.5% of MAGI
Family coverage is affordable if self-only coverage is affordable

**Affordability Test for Penalty**
Affordable if employee-only coverage costs <8% of household income
Family coverage is affordable if it costs <8% of household income

**Bottom Line:**
- Mom’s coverage is affordable so she is not exempt.
- Dad and the children may apply for an exemption.
Marketplace Exemptions: Hardship

<table>
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<tr>
<th>Types of Hardship</th>
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<tbody>
<tr>
<td>Ineligible for Medicaid based on state decision not to expand</td>
<td>Entire year unless there is a change in circumstance</td>
</tr>
<tr>
<td>❖ Exemption for people in the coverage gap with income up to 138% of the federal poverty line (even though people between 100 and 138% FPL may be eligible for PTC)</td>
<td></td>
</tr>
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**NEW** Do I need to submit an exemption application?
No. According to a notice from CIIIO on February 18, people in non-expansion states who are denied Medicaid because they are in the coverage gap will be sent an exemption certificate number. *more details forthcoming*
### Scenario 1

In January, Jane knew she was in the coverage gap and did not apply for health coverage.

Jane’s health insurance starts August 1.

Jane cannot use the Medicaid exemption for Jan-July because she didn’t apply for Medicaid.

### Scenario 2

JANE is unemployed until she gets a job in July. Her insurance starts August 1.

**Income:** $11,000  
**Residence:** Texas

In January, Jane applies for coverage.

Her state did not expand Medicaid, so she is denied. She is automatically granted an exemption.

Jane is exempt for January – July but must report the start of her new insurance in August.
# Exemptions at Tax Filing

## Types of Exemptions Granted by the IRS

<table>
<thead>
<tr>
<th>Income below filing threshold</th>
<th>Single: $10,150</th>
<th>Married Filing Separately: $3,950</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Household:</td>
<td>$13,050</td>
<td>Qualifying Widow/er with Dependent Child: $16,350</td>
</tr>
<tr>
<td>Married Filing Jointly:</td>
<td>$20,300</td>
<td></td>
</tr>
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</table>

- A taxpayer doesn’t need to file a tax return in order to claim this exemption.

## Lack of affordable coverage (>8% of household income)

- Similar to the rules for a Marketplace exemption for lack of affordable coverage.
- Additional exemption available when both spouses are eligible for employer-sponsored insurance if the combined cost of coverage is greater than 8% of income.

*Figures are for 2014, for taxpayers under age 65*
Exemption: Aggregate Cost of Coverage

Bob and Joan have jobs that offer health coverage.

- **Household Income**: $45,000
- **Premium cost for Bob**: $2,400/year  \( 5.3\% \text{ of income} \)
- **Premium cost for Joan**: $2,100/year  \( 4.6\% \text{ of income} \)
- **Aggregate cost**: $4,500/year  \( 10\% \text{ of income} \)

Bob and Joan are not eligible for PTC because they each have affordable coverage.

However, if they don’t enroll in employer coverage, they can claim an exemption because the total cost exceeds 8% of income.
Exemptions at Tax Filing

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<td>Certain noncitizens (nonresident aliens or undocumented residents)</td>
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<tr>
<td>Short coverage gap (&lt; 3 months)</td>
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<tr>
<td>- If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.</td>
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<tr>
<td>- If there are multiple gaps in a year, only the first gap qualifies.</td>
</tr>
</tbody>
</table>
Exemption: Short Coverage Gap

John doesn’t have insurance in January, February or March. He gets a new job in March and his insurance starts April 1.

John does not qualify for the exemption for a short coverage gap because the gap is not less than three full calendar months.
Exemptions at Tax Filing

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<tr>
<td><strong>Open enrollment coverage gap</strong></td>
</tr>
<tr>
<td>◆ A person who enrolls in Marketplace coverage during open enrollment can receive an exemption for their coverage gap at the beginning of 2014.</td>
</tr>
</tbody>
</table>
John does qualify for an exemption on his tax return because he purchased insurance during the open enrollment period.
Part III: PENALTIES
The tax penalty for a given individual or family is the greater of:

- 1% of the family’s income that is above the tax filing threshold, capped at the national average premium of a bronze level plan purchased through a Marketplace; or
- Flat dollar amount of $95 for each adult, $47.50 for each child, capped at $285 per family
- *Prorated for number of months without insurance in a year*
## Individual Shared Responsibility Penalty

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax penalty is greater of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1% of income above threshold (up to cap*)</td>
</tr>
<tr>
<td>2015</td>
<td>2% of income above threshold (up to cap*)</td>
</tr>
<tr>
<td>2016</td>
<td>2.5% of income above threshold (up to cap*)</td>
</tr>
<tr>
<td>&gt;2016</td>
<td><em>Values increased by a cost-of-living adjustment</em></td>
</tr>
</tbody>
</table>

*national average premium of a bronze level plan purchased through a Marketplace*
## Individual Shared Responsibility Penalty

<table>
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<tr>
<th>Tax Filing Status</th>
<th>Tax Filing Threshold (2014)</th>
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<tr>
<td>Single</td>
<td>$10,150</td>
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<tr>
<td>Qualifying Widow/er with Dependent Child</td>
<td>$16,350</td>
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Countable Income for the Penalty

Calculating Income for Advanced Premium Tax Credit

Modified Adjusted Gross Income (MAGI) =
Adjusted Gross Income (AGI) + excluded foreign income + tax exempt interest + non-taxable Social Security Benefits.

Calculating Income for Tax Penalty

Modified Adjusted Gross Income (MAGI) =
Adjusted Gross Income (AGI) + excluded foreign income + tax exempt interest + non-taxable Social Security Benefits.
Calculating the Penalty - Filing Single

$95 x 1 adult = $95

1% of income

$95 x 1 adult = $95

1% of income (above threshold)

$95
Calculating the Penalty - Married, Filing Jointly

$95 \times 2 \text{ adults} = $190

Household Income

Tax Penalty

$0.00
$5,001.00
$10,101.00
$15,101.00
$20,201.00
$25,251.00
$30,351.00
$35,451.00
$40,551.00
$45,651.00
$50,751.00
$55,851.00
$60,951.00

1% of income

1% of income (above threshold)

$90
$190
$20,300
$39,300

no penalty

$95 \times 2 \text{ adults} = $190
Calculating the Penalty - Married, Filing Jointly

(with one child)

$95 \times 2 \text{ adults} + $47.50 \times 1 \text{ child} = $237.50

Household Income

$0.00, $2,501.00, $5,001.00, \ldots, $55,851.00, $58,401.00

Tax Penalty

$0, $100, $200, \ldots, $600

$1\% \text{ of income (above threshold)}$

$20,300$

$39,300, 050$

$237.50$

$190$

$95 \times 2 \text{ adults} + \frac{47.50 \times 1 \text{ child}}{2} = $237.50
Example #1: John (Single)

- Income: $17,000 (148% FPL)
- Filing Status: Single
- Adults: 1
- Children: 0

1. $17,000 - $10,150 = $6,850
   \[\text{Tax Penalty for 2014} \times 1\%\]
   \[\text{\$68.50}\]

2. $95 \times 1 \text{ adult} = \text{\$95.00}
Example #1: John (Single)

Income: $48,832 (425% FPL)
Filing Status: Single
Adults: 1
Children: 0

Tax Filing Threshold: $10,150
Months Uninsured: 12

1. $48,832 - $10,150 = $38,682
   ___ x 1%
   $386.82

2. $95 x 1 adult = $95.00

Tax Penalty for 2014
Example #2: Reyes Family (Married, filing jointly)

Income: $39,500 (168% FPL)
Filing Status: Married, filing jointly
Adults: 2
Children: 2

1. $39,500 - $20,300 = $19,200
   \[ \text{Months Uninsured: } 12 \times 1\% \]
   \[ = \$192.00 \]

2. $95 \times 2 \text{ adults}
   + $47.50 \times 2 \text{ children} = \$285.00

Tax Filing Threshold: $20,300
Months Uninsured: 12
Tax Penalty for 2014
Example #2: Reyes Family (Married, filing jointly)

- **Income:** $77,500 (329% FPL)
- **Filing Status:** Married, filing jointly
- **Adults:** 2
- **Children:** 2
- **Tax Filing Threshold:** $20,300
- **Months Uninsured:** 12

1. $77,500 - $20,300 = $57,200
   
   \[
   \frac{57,200}{57,200} \times 1\% \quad \text{Tax Penalty for 2014} \]

   \[
   \frac{572.00}{572.00}
   \]

2. $95 \times 2 \text{ adults} + $47.50 \times 2 \text{ children} = \$285.00
Example #3: Kim and Jay (Married, filing separately)

Income: $46,850 (302% FPL)  
Filing Status: Married, filing separately  
Adults: 2  
Children: 0  
Tax Filing Threshold: $3,950  
Months Uninsured: 12

Jay’s Income: $13,100
Kim’s income: $33,750
Example #3: Kim and Jay (Married, filing separately)

**Jay:** 1. $13,100 - $3,950 = $9,150
   \[ \text{\( \times 1\% \)} \]
   $91.50
   2. $95 \times 1 \text{ adult} = \text{\$95.00}

**Kim:** 1. $33,750 - $3,950 = $29,800
   \[ \text{\( \times 1\% \)} \]
   $298.00
   2. $95 \times 1 \text{ adult} = \text{\$95.00}

Kim & Jay’s total tax penalty = \text{\$393.00}
Example #3: Kim and Jay (Married, filing separately)

Income: $46,850 (302% FPL)
Filing Status: Married, filing jointly
Adults: 2
Children: 0

Tax Filing Threshold: $20,300
Months Uninsured: 12

$46,850 - $20,300 = $26,550
\[ \times 1\% \]

Filing jointly = $265.50
Filing separately = $393.00
Calculating the Penalty – Partial Year Coverage

The tax penalty is prorated for the number of months without coverage during the tax filing year.

- **Jan**: Did not sign up for coverage
- **Apr**: Gets a job with employer coverage
- **Aug**: Penalty = \( \frac{7}{12} \) of annual penalty calculation

Without coverage for 7 months
Calculating the Penalty – Partial Year Coverage

Exception for gaps in coverage of less than 3 months

- Lose job and employer-based coverage
- Get a new job with coverage

Without coverage for 2 months

No Penalty
Calculating the Penalty – Partial Year Coverage

Exception for gaps in coverage of less than 3 months

Penalty = \frac{3}{12} \text{ of annual penalty calculation}
Example #4: John (Single, partial year gap)

Income: $48,832 (425% FPL)  
Filing Status: Single  
Adults: 1  
Children: 0  
Tax Filing Threshold: $10,150  
Months Uninsured: 5  

$48,832 - $10,150 = $38,682  
\[
\text{tax penalty} = \frac{38,682 \times 1}{12} = \$161.18 \]  
Tax Penalty for 2014
Resources

Special Enrollment Periods

- Regulations are found at 45 CFR 155.420
- Proposed regulations modifying 45 CFR 155.420, published on March 21, 2014

Exemptions and Penalties

- From Healthcare.gov: [www.healthcare.gov/exemptions](http://www.healthcare.gov/exemptions)
- Tax Policy Center’s ACA Tax Penalty Calculator: [http://taxpolicycenter.org/taxfacts/acacalculator.cfm](http://taxpolicycenter.org/taxfacts/acacalculator.cfm)
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For more information and resources, please visit:
www.healthreformbeyondthebasics.org

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