

The Affordable Care Act

Questions and Answers

Credits, Penalties and Exemptions

Q. Are premium tax credits available for insurance plans purchased on the open market (not from healthcare.gov)?

A. No, they are not. Only plans purchased through the Federal or state marketplaces.

Q. If a client had advance credits/subsidies paid direct to their insurance company and find out that was too much and they have to pay back, do they get the money from the health insurance company?

A. No, this is reconciled on the tax return (Form 8962).

Q. If 1095-B and 1095-C are optional, how does IRS know that taxpayer had such coverage, if only insurance purchased in Marketplace is reported on 1095-A?

A. The IRS will not have complete visibility that the taxpayer had coverage. Reporting: Only clients that have purchased insurance through the Marketplaces will receive Form 1095-A. This means that many, if not most, of your clients that have insurance coverage will not receive a 1095-B or 1095-C for 2014. What this means for you: The IRS recognizes this and as a result you, as a tax preparer, don't have to obtain specific documentation from your clients to prove they have health care coverage. Various documentation as well as oral self-reporting of coverage by the taxpayer is admissible. Source: Excerpted from AICPA Webcast Nov.13, 2014, speaker William Smits from the IRS Wage & Investment Division.

Q. To be eligible for a credit, if married, you must generally file the return using MFJ. What about where you have a married couple living apart, and one spouse has a child living with him / her for at least the last six months of the year and can file as head of household? Is the head of household filer eligible for the premium tax credit under these circumstances?

A. A head of household designation can be made which can qualify for a credit. A filing status of married filing separate would not.

Q. What about children under 26 who may be on parents insurance but not considered dependents for tax purposes, either because of income or are married?

A. Spouse, domestic partner and children covered under your employer insurance are also considered to meet the requirement for coverage. If completing the return for the child under 26, input is available for "Minimum Essential Coverage Not Indicated Elsewhere" where you can indicate the name of the covered individual as well as the number of months they were covered under their parent's plan. If completing the parent's return and this person is not entered as a dependent they would not need to indicate whether or not they were covered by an insurance plan.

Q. I thought you could have 3 months of non-coverage without penalty?

A. A comprehensive list of exemption choices to the ACA coverage requirement can be found in the ACA Interactive guide <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14> For 2014, there are some extended windows for non-coverage related to the initial enrollment periods. Next year, these will not be available and the short coverage period will be for 2 full months.

Q. Does "Less than 3 months" mean 3 months or less, or fewer than 90 days?

A. It means 2 full months since even a single day of coverage in the third month would be considered coverage for the entire month. For 2014 there are some extended windows of non-coverage due to initial enrollment. A comprehensive list of exemption choices to the ACA coverage requirement can be found in the ACA Interactive guide <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>

- Q. Will employers be able to claim the credit in 2014? If so, do we use the same form even if the 1095-B or 1095-C were not received?**
- A. Yes, employers will be able to claim the credit in 2014. The form 1095-C is not mandatory for 2014. It will not be required until 2016 for 2015 returns.
- Q. If an employer has been taking the credit because they offer health insurance; do they now in 2014 have to change their insurance carrier to go through the marketplace?**
- A. They have to go to the SHOP exchange for small businesses.
- Q. The instructions said if you are under poverty amount you DO NOT qualify for credit.**
- A. There is an exemption: Estimated household income at least 100% of the Federal poverty line. You qualify for the PTC even if your household income is less than 100% of the Federal poverty line if you meet all of the following requirements. You or an individual in your tax family enrolled in a qualified health plan through a Marketplace. The Marketplace estimated at the time of your enrollment that your household income would be between 100% and 400% of the Federal poverty line for your family size for 2014. APTC is paid for the coverage for one or more months during 2014. You otherwise qualify as an applicable taxpayer (without taking into account the Federal poverty line percentage). "
- Q. Does unemployment qualify as an exemption?**
- A. Not specifically, but there are exemptions available based on whether coverage was not affordable or the taxpayer having income below the filing threshold.
- Q. How do I handle taxpayer who is resident alien for tax purposes, so he has to file tax return, but does not qualify for government subsidy because of undocumented status?**
- A. A comprehensive list of exemption choices to the ACA coverage requirement can be found in the ACA Interactive guide <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>. There is a selection for non-citizens with steps to take.
- Q. Is there an exemption for someone with a "grandfathered" private plan?**
- A. This is considered minimum essential coverage. See Form 8965 instructions.
- Q. Which exemption applies to mixed families, when some family members are legal residents and some family members are not?**
- A. The exemptions are specific for each member of the household. You claim an exemption for citizens living abroad and certain noncitizens.
- Q. To obtain the exemption even if you don't need to file a return does this mean that person does have to file a return to get the exemption?**
- A. That is correct, if a person falls below the filing threshold to file a return they have an implicit exemption.
- Q. If a custodial parent signs over a dependent exemption to a non-custodial parent, who is responsible for reporting the dependent on Form 8965?**
- A. The parent who claims the dependent on his / her tax return.
- Q. Do college students studying abroad qualify for not present in the US?**
- A. They might. A comprehensive list of exemption choices to the ACA coverage requirement can be found in the ACA Interactive guide <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14> Refer to the exemption menu which has citizens living abroad and noncitizens.
- Q. Could you elaborate more on exemptions issued by the IRS?**
- A. You claim these exemptions on Part III of Form 8965: <http://www.irs.gov/pub/irs-pdf/f8965.pdf> Please refer to page 2 of Form 8965 instructions to see which exemptions can be claimed on the return: <http://www.irs.gov/pub/irs-dft/i8965--dft.pdf>

- Q. What about individuals who currently hold IRS 4029 Social Security exemptions, do they need to get another and possibly different exemptions before filing taxes?**
- A. Yes, they will need to file the Religious sect exemption to be granted a marketplace exemption.
<https://marketplace.cms.gov/applications-and-forms/religious-sect-exemption.pdf>
- Q. How can the tax preparer know if the taxpayer's coverage qualifies as health insurance? For example, if the taxpayer only has a catastrophic policy, does that count as health insurance?**
- A. Please refer to the definition of "minimum essential coverage" in the Form 8965 instructions (<http://www.irs.gov/pub/irs-dft/i8965--dft.pdf>). Generally, a catastrophic policy is not considered minimum essential coverage.
- Q. Is an individual who acquired a working permit through the Dream Act considered to be lawfully present in the U.S. and therefore affected by the ACA?**
- A. The exemption requirement for Citizens living abroad and certain noncitizens. You are; a U.S. citizen or resident who spent at least 330 full days outside of the U.S. during a 12-month period; a U.S. citizen who is a bona fide resident of a foreign country or U.S. territory; or neither a U.S. citizen or U.S. national nor an alien lawfully present in the U.S. A comprehensive list of exemption choices to the ACA coverage requirement can be found in the ACA Interactive guide <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14> Refer to the exemption menu which has citizens living abroad and noncitizens.
- Q. I have been told in another class that they did not have to buy through the SHOP to get this credit for 2014 because the SHOP was not working correctly and ultimately shut down.**
- A. You need to obtain coverage through the SHOP exchange unless you live in certain counties in WA and WI.
- Q. For payback of the advanced credits, is that chart for the year or per month?**
- A. The reconciliation is done on an annual basis.
- Q. If an employer pays more than 50% of premium and gets a plan through SHOP can the employer take the credit as well as the deduction for the premium?**
- A. You must reduce your deduction for the cost of providing health insurance coverage to your employees by the amount of any credit for small employer health insurance premiums allowed with respect to the coverage.
- Q. Do small employers qualify for the tax credit if the insurance is purchased directly from the insurance company and not from SHOP. In Hawaii employers have mandatory coverage provisions since 1976, and buy directly from insurance companies.**
- A. No.
- Q. What if a family is below filing requirements but has to pay self-employment tax. Would they be subject to penalty.**
- A. No.
- Q. How does a Self Employed person handle this if they have a health insurance plan that is self-purchased and not through the Market Place Exchanges?**
- A. You would indicate there is coverage in screens 39.1, 39.3 or 39.4. They would not be eligible for the small business credit. (Lacerte Screens)
- Q. What happens if an employer's broker obtains the eligibility determination letter but does not actually go through the shop, as the shop cost is higher?**
- A. They are not eligible for the small business credit.
- Q. Are 2% shareholders with individual plans considered eligible for the tax credit?**
- A. The IRS has provided the following guidance with regard to treatment for 2% shareholders of SCorporations:
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/S-Corporation-Compensation-and-Medical-Insurance-Issues>.

Q. For advance repayment, will the remained be carried over till next year or is it written off?

A. Advance repayment is a tax liability and is not written off. **Note:** the IRS has full enforcement provisions to recapture premium subsidy overpayments in contrast to the individual shared responsibility payment which can only reduce a refund.

Q. In 2014 all clients covered with health care, Cobra, Medicare; what is entered on the tax return, if anything?

A. Having insurance through Medicare, Cobra, etc. for all months during the year, will meet the requirement under the new law. The 1040 will show this on line 61 Full-year coverage. If coverage was not for all months of the year, there may be a tax penalty.

Q. Is the tax underpayment penalty assessed on a repayment of premium credit?

A. Based on the draft Form 2210 instructions, yes.

Q. Are companies that reimburse employees for health care premiums subject to penalty? Is the penalty 10% for 2014 but \$100 per day for 2015?

A. Companies must provide affordable insurance to employees. The penalty begins in 2015 and uses a different formula. **Note:** currently there is no distinction documented for S Corporations. (related question specific to S Corp)

Q. Wasn't the flat dollar penalty of \$285 greater than the 1% of \$71? Isn't the penalty the greater of the two?

A. The flat dollar amount of \$285 multiplied by 3 months of non-coverage and divided by 12 equals \$71 for the year.

Q. Is the penalty per month of non-coverage?

A. Yes.

Q. Are people penalized if they did not get coverage from the exchange and they fall below 400% of the Fed poverty line and the state they live in did not expand Medicaid?

A. There is an exemption (100% FPL): You are ineligible for Medicaid solely because the state in which you live does not participate in the Medicaid expansion under the Affordable Care Act.

Q. Are clients with a 1095-B or 1095-C form exempt from penalty?

A. No. Though these forms are not required to be distributed or filed this tax year, these forms would indicate the months the members of the household had coverage. This information will need to be indicated to calculate or avoid the penalty when filing a return.

Q. What form will Medicare recipients get?

A. Medicare recipients would receive Form 1095-B. Because this form is optional for 2014 and not required to be filed, they may not receive it. You can find this information in ACA Interactive in the link provided.

<https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>

Q. Will all taxpayers receive a form 1095-A or was this just for those you participate at the marketplace?

A. 1095-A is only issued to those who participate in the marketplace. You can find this information in ACA Interactive in the link provided. <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>

Q. What is the due date for recipients to receive 1095A?

A. 1095-A must be issued by January 31st which means most taxpayers should receive their copy in the first week of February.

Q. Is the 1095C required for 2014?

A. Form 1095-C is optional for 2014 and not required to be filed. You can find this information in ACA Interactive in the link provided - <https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>

Q. In 2015, who prepares the form 1095-B and 1095-C?

A. 1095-B is issued by the insurance provider and Form 1095-C is issued by large employers. You can find this information in ACA Interactive in the link provided.

<https://intuitcorp.quickbase.com/db/bjbbcmui8?a=dbpage&pageID=6&rid=14>

Q. What is the difference between the Marketplace for 1095-A and individual market plan on 1095-B?

A. 1095-A is issued when health care coverage is obtained through the state or Federal marketplace. The 1095-B is issued when healthcare is obtained directly from an insurance company.

Q. Do employers complete any of the 1095 series forms or do only insurance companies need to do these?

A. Applicable Large Employers (ALE) need to file Form 1095-C.

Q. If the taxpayer has insurance through their employer, will they get a 1095-A?

A. No.

Q. Does everyone have to file Form 8965, but only those receiving subsidy have to file Form 8962?

A. No, only taxpayers that require an exemption need file an 8965.

Q. How do you get a 1095-C from an employer that has less than 50 employees?

A. These employers are not required to file Form 1095-C.

Q. Do people covered by their employer's plan fill out the 8962? And if so, how do you calculate the monthly amounts for premiums? Is it the amount the client is paying through withholding?

A. No, employer based plans are not eligible for a premium credit or subsidy.

Q. Where does the poverty limit come from?

A. The software will have FPL tables programmed. <http://www.medicaid.gov/medicaid-chip-program-information/by-topics/eligibility/downloads/2014-federal-poverty-level-charts.pdf>

Q. How to determine the income filing threshold?

A. The income filing threshold is calculated by the software based upon inputted taxpayer information and income information and filing status. Please refer to Form 8965 instructions.

Q. For health insurance coverage prior to ACA, do we just check the full year coverage box?

A. You need to have minimum essential coverage as defined in Form 8965 instructions. <http://www.irs.gov/pub/irs-dft/i8965--dft.pdf>

Q. What if one member of the household goes to the marketplace and another is covered by an employer plan? How do you prepare the 8962?

A. This scenario can occur. The 8962 would be prepared using the 1095-A information received by the individual.

Q. So does everyone have to file Form 8965 but only those receiving subsidy have to file Form 8962?

A. No, only taxpayers that require an exemption need file an 8965.

Q. How do you report a married couple when one has insurance while the other does not? Is the 1% based on both incomes?

A. Yes, it's part of the penalty worksheet.

Q. Can an employer with less than 25 employees discriminate which employees he provides health insurance to?

A. This is unclear. Please see Form 8941 instructions, for more information.

Product Questions

Q. Where do you enter the income of a non-dependent living at home with parents and earns \$40,000 of income?

A. In general, the penalty, exemption and credit would be figured on the child's tax return, if a non-dependent.

Q. On the input screen, why doesn't the annual amount automatically fill in based on the monthly inputs?

A. We will be improving this functionality in a subsequent release.

Q. What if the annual amount typed in does not equal the monthly totals, is there a diagnostic?

A. Currently, no. Look for enhancements in this area in future releases.

Q. Is ACA addressed in the organizer?

A. Yes there are ACA related questions in the organizer.

Q. Wondering why the Lacerte ACA screen 39.1 input boxes do not self-populate with a drop down menu for taxpayer spouse and dependents?

A. This functionality will be added to the TY14 program in an upcoming program release.

Q. Can the 1095a, b or c be scanned into DMS to fill in the 8962 etc?

A. No.

Q. How much, if any, will software prepopulate known numbers?

A. The software will prepopulate income and thresholds based upon taxpayer, spouse and dependent info as well as income reported. This will all flow to calculate MAGI, compare to poverty thresholds and minimum filing amount and then based upon designation of coverage calculate the penalty amount if no exemption is entered.

Q. Will software prepopulate know numbers on forms associated w/ACA?

A. There is not an auto import capability for 1095-A forms. The information would be entered by you as the preparer in the return.

Q. How do I check the 1040 line 61 box, without overriding?

A. You will be able to check the box on line 61 without overriding by indicating full coverage for all months of the year. If you are using Lacerte, you can check this box by entering a 1=entire household covered for all months, in screen 39.1. ProSeries will provide a check box on the Federal Information Worksheet.

Q. Will Lacerte automatically know 7b on this form?

A. Yes, based upon input values in the return.

Q. Can Lacerte be programmed to default to full coverage for the entire year (as an Option in settings) rather than having to make an entry on 39 for every client?

A. No, we are taking the conservative route.

Q. Where do you enter additional household income to determine total household income, even if it is from the dependents and not taxable on the parent's return?

A. In the Lacerte program in Screen 39.1 under dependent MAGI.

Q. Is Intuit going to enhance the Lacerte input screens related to ACA?

A. Yes. Because this is new to all of us, we are listening to you, our users, and working to insure we provide the best information and streamlined experience that we can.

Q. Is 1095-a getting Pre-Filled by ProSeries?

A. No, 1095 forms are not auto-imported by any provider and would need to be keyed in by the preparer.

Q. Will the national average for Silver be in the software somewhere, or where would we get that?

A. This amount is included on Form 1095-A.

Q. Will Lacerte's family link information for dependents work for dependent AGI?

A. Not currently, possibly in a future enhancement.

Q. Will we have to calculate S/R penalty individually or will intuit software (ProSeries) calculate it for us based on info inputted on software?

A. The software will calculate the penalty based upon your input.

Clarifications and Definitions

Q. Please define "household" for purposes of form 8965.

A. Household includes the taxpayer, the taxpayer's spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also generally includes each person the taxpayer can, but does not, claim as a dependent. "

Q. Is household income considered to be before-tax or after-tax?

A. Before tax . The following for 8965 instructions provides the basis for the calculation of household income as it pertains to the Affordable Care Act. <http://www.irs.gov/pub/irs-dft/i8965--dft.pdf>

Q. Can you clarify and define recognized religious sect?

A. Members of certain religious sects - member of a religious sect in existence since December 31, 1950, that is recognized by the Social Security Administration (SSA) as conscientiously opposed to accepting any insurance benefits, including Medicare and Social Security

Q. Has the healthcare.gov site changed? when I looked at it you couldn't get it unless you register to buy insurance?

A. Yes it has changed and has more visibility to plan availability without the need to enter personal information.

Q. Major changes are designated as Marriage or divorce. What about domestic partnerships?

A. It depends whether or not they are considered legally married and filing joint returns for federal purposes.

Q. What is the threshold amount, AGI? etc?

A. Here are the threshold amounts. <http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment>

Q. What is the impact of a personal NOL reducing AGI?

A. This is allowed. You start with AGI and make a few adjustments. See instructions for detailed information.

Q. Does Medicare Part B qualify as MEC?

A. I don't believe so. Please refer to Form 8965 instructions.

Q. Will there be any requirement to send attachments with e-filed returns for verification of the individual mandate?

A. Currently there is no indication that attachments will be required for e-filed returns.

Preparer Information

Q. Since the Registered Tax Return Preparer program is gone, do you know if all office employees doing preliminary work on tax returns need to obtain PIN numbers, or just those signing and preparing the final tax returns?

A. Anyone who is paid to prepare or assist in preparing federal tax returns or claims for refund must have a PTIN. All enrolled agents must also have a PTIN. Attorneys and Certified Public Accountants do not need a PTIN unless they are compensated for preparing or assisting in preparing federal tax returns or claims for refund.

Q. What is non-exempt?

A. Preparers who are not one of these: 1) Pass a recognized national or state test (CA, OR), 2) Pass RTRP test and SEE Part I test, VITA volunteers and other accredited tax-focused credential holders, 3) CPAs, enrolled agents, attorneys.

Q. What is the expected fee increase to charge clients to prepare these additional ACA forms?

A. This is at the discretion of the preparer. The current IRS draft instructions for Form 8965 and Form 8962 do not contain estimated preparation times.

Other

Q. Have 2015 standard mileage rates been announced?

A. Beginning on Jan. 1, 2015, the standard mileage rates for the use of a car, van, pickup or panel truck will be:

- 57.5 cents per mile for business miles driven, up from 56 cents in 2014
- 23 cents per mile driven for medical or moving purposes, down half a cent from 2014
- 14 cents per mile driven in service of charitable organizations

Q. Did you say individual extenders were extended for 2014?

A. The Senate voted 76-16 to pass the Tax Extenders bill. (updated 12/17)

Q. What about the sales tax deduction and the QCD?

A. These provisions are part of the extender package.

Q. Has the Section 179 depreciation deduction been lowered back to \$25000 beginning in 2014 and beyond?

A. Yes, unless it gets extended.

