

## Health Insurance & Tax Credits: What to Do at Tax Time

### Summary

Close to 10 million people buy their own health insurance through the new Affordable Care Act (ACA) Marketplaces. Most of them qualify for premium assistance. Known as “premium tax credits,” premium assistance helps people pay their monthly premiums. If you are one of the millions who qualify for premium tax credits, or if you are assisting such a person, read further to find out what this will mean for you at tax time.

### What are the tax filing rules?

There are important things you need to do when filing your federal tax return for 2015:

- Let the IRS know that you had health insurance in 2015 (or file for exemption or pay a penalty if you didn't); and
- If you got premium tax credits or think you might qualify, file a new Premium Tax Credit form (Form 8962) that tells the IRS about your health insurance and any premium tax credits you already got.

This fact sheet focuses on **what you need to know about premium tax credits**.

### What is the tax credit for health insurance?

Starting with tax year 2014, low- and moderate-income people can get a federal tax credit that lowers the cost of buying health insurance.

To qualify, you must:

- Purchase your health plan with the Marketplace;
- Be income eligible;
- If married, file your taxes jointly; and

- Not be eligible for “minimal essential coverage” from an employer, Medicaid, Medicare or certain other forms of coverage.

**TIP:** To understand “minimum essential coverage,” [click here: https://www.healthcare.gov/fees-exemptions/plans-that-count-as-coverage/](https://www.healthcare.gov/fees-exemptions/plans-that-count-as-coverage/)

To provide help right away, the tax credit can be taken “in advance.” “In advance” means that the federal government pays part of your monthly premium directly to your health plan. You pay a lower premium, minus the tax credit. For example:

Your monthly premium	=	\$300
Federal tax credit to the health plan	=	\$240
<b>What you pay to the health plan</b>	<b>=</b>	<b>\$ 60</b>

You don’t have to take the premium tax credit in advance. You can wait until you file your federal tax return to get your premium tax credit.

## How do I know if I already got premium tax credits?

Lots of people may not realize they got premium tax credits. If you applied when you enrolled, you don’t actually “get” the tax credit every month. The IRS pays your premium tax credit directly to your health insurance plan. Your monthly premium costs are lower as a result. (See our example above.)

The only way to get premium tax credits is to buy your health plan from a state or federal “Marketplace.” If you bought from the Marketplace, it will send you a tax form, called the Form 1095-A, by January 31, 2016. The Form 1095-A will tell you if you already received premium tax credits or not. It will also tell you the exact amount of the tax credits you got each month.

## If I got premium tax credits, do I have to file a tax return?

Yes, if you got premium tax credits for 2015, you have to file a federal tax return. Even if you have never filed before, starting in 2014 if you got tax credits you have to file a tax return.

Your premium tax credits are based on the income you report to the IRS. When you applied for health insurance through the Marketplace, you had to **estimate** your family income. At tax time, you have to let the IRS know what your family’s **actual** income was for the year.

## Can I still file my return using a 1040EZ form?

No, if you got premium tax credits – or would like to apply for credits at tax time – you cannot file using the 1040EZ form. You will have to file either the 1040 or the 1040A form. Also you have to file a special form (Form 8962) to request premium tax credits or report premium tax credits you already got.

## What kind of information do I need to report on Form 8962?

Use IRS Form 8962 to tell the IRS how much premium tax credit was paid “in advance” to your health plan.

Form 8962 requires you to report to the IRS:

- Your family size;
- Your income;
- Your family’s income level as a percentage of the Federal Poverty Level (an IRS chart helps you figure this out);
- The second lowest silver plan available to you in your region; and
- The amount of tax credits paid to your health plan each month during 2015.

Fill out Form 8962 and send it in when you file your federal tax return.

## Where can I find the information I need to fill out Form 8962?

Your state’s health insurance Marketplace will send you Form 1095-A that will include the information you need to fill-out Form 8962. The 1095-A will tell you:

- How many months you had health insurance in the Marketplace;
- How much you paid in monthly premiums;
- The amount that was paid in advance to your health plan;
- The second lowest cost silver plan available to

**TIP:** For more information about how to report your income, see Consumers Union’s fact sheet: [How to Report Your Income When Buying Health Insurance from your State’s Marketplace.](#)

### Federal Tax Forms for Health Insurance:

**Form 1095-A:** The form you will get from your state Marketplace that tells you about your health insurance.

**Form 8962:** The form you will file with the IRS to tell them about your health insurance and premium tax credits. This form can only be filed with Forms 1040 or 1040A.

**Form 1040 and 1040A:** The forms you can use for filing your income tax returns and to report your premium tax credits.

**Form 1040EZ:** You cannot use this form to file your tax return if you get premium tax credits.

- you in your region; and
- Which members of your household were enrolled in your health plan.

## I didn't apply in advance, how do I get premium tax credits?

Fill out Form 8962, using the information provided by your Marketplace on the 1095-A Form. Submit Form 8962 to the IRS when you file your federal tax return.

## Are there special rules for married people getting premium tax credits?

If you got premium tax credits – or would like to apply for credits at tax time – and are married, you have to file your taxes *jointly* with your spouse. If you got premium tax credits or want to get them and are married, you can't file your taxes separately.

There are some exceptions to this rule. These exceptions are intended to help if you are a survivor of domestic violence and are unable or unwilling to file a joint tax return. The exceptions also help if you are head of household or have been abandoned by a spouse. It is important to check with your state health insurance Marketplace or tax preparer about what to do in any of these situations.

## I keep hearing about “tax credit reconciliation” – what does that mean?

If you applied for help paying for health insurance at enrollment, you had to *estimate* what your family income would be in 2015. When you file your tax return, you will report your family's *actual* income for 2015.

The IRS makes the final calculation of your premium tax credits based on your actual income. They will see if your actual income ended up being different from your estimate. If your income is different than what you put on your original application and you took your premium tax credit in advance, the IRS will recalculate your premium tax credit. The recalculation is what is known as “reconciliation.”

**TIP:** To read more about tax reconciliation, see Consumers Union's fact sheet: [Premium Tax Credits and “Tax Reconciliation.”](#)

After the IRS calculates your premium tax credit, you may have to pay back some tax credits if you got more in advance than the final credit amount. This means that your tax refund might be less than expected or you may owe some money back when you

file. If it turns out you earned *less* than what you estimated, you may also end up owing less in taxes, or get a larger tax refund.

## **These tax-filing requirements are really confusing – where can I get help?**

You can get free tax help at a local Volunteer Income Tax Assistance Site (VITA). Low- and moderate-income families, people with disabilities, the elderly, and people with limited English skills can get help from VITA. To find help near you:

- 800-906-9887 or
- <http://irs.treasury.gov/freetaxprep>.

You can also get help from your own tax adviser.

## **What should I do if I think I might owe taxes?**

If you are concerned that you might owe taxes, get help early so that you can make a plan to pay your taxes. Tax returns are due April 15. You can file as soon as you have all your paperwork, sometime after January 31, 2016. If you cannot pay what you owe, you may be able to request a payment plan or a reduction if you follow the rules for filing.

Open enrollment for 2016 starts November 1, 2015 and goes through January 31, 2016. If you do your 2015 tax return early, you can use that updated taxable income information to be sure you get an accurate tax credit when you apply for 2016. You can also use your updated taxable income to adjust your advance premium tax credits during the year, through the “report a change” function.

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