

# **GENESIS TAX SERVICE LLC**

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## **THE AFFORDABLE CARE ACT THINGS YOU SHOULD KNOW INVOLVING YOUR 2014 TAXES January 8, 2014**

Hi Everyone and Happy New Year!

I just got out of a class that addresses the Affordable Care Act (“ACA” or “Obamacare”) and its effect on your taxes and I wanted to jot some things down while my head is still spinning! Complicated does not even begin to describe the madness that is the ACA, and the attorney and tax professional who conducted the class made no bones about what a poorly crafted plan the ACA is, and the fact that it will only get worse -- if it is not repealed by the new Republican Congress!

Another thing that makes this so difficult is the amount of personal questions tax preparers will now have to ask certain clients. Just know that I’m not asking to be nosey -- there will be questions that have to be answered and I need you to be prepared for them!

So here are some things you should know and get prepared for **BEFORE** your tax appointment:

1. Everyone in your “Tax Household” has to have either (1) “Minimal Essential Coverage” insurance (at least basic health insurance), (2) an exemption from having to have health insurance granted by the Exchange or Marketplace, or (3) be prepared to pay a Shared Responsibility Payment. More on that later.
2. If you are employed and have insurance from your job that you pay per pay period for you and your family like you have for umpteen years, **NOTHING CHANGES FOR YOU!** Please bring in any kind of proof of insurance, such as your insurance card and the amount of your premiums. That info is usually found on your paystub. Beginning in January 2016 you will receive from your employer a Form 1095-B, which verifies that you had Minimal Essential Coverage and other info regarding premiums for 2015. Bring that with you to your 2016 tax prep appointment.
3. If you have government-sponsored health insurance such as Medicaid or Medicare, **NOTHING CHANGES FOR YOU!** Please bring in your Medicare or Medicaid card as proof of coverage. Beginning in January 2016 you will receive from your employer a Form 1095-C, which verifies that you had Minimal Essential Coverage and other info regarding premiums for 2015. Bring that with you to your 2016 tax prep appointment.
4. If you have applied on the Exchange or Marketplace website and been determined to be **EXEMPT** from having to have coverage, **BRING YOUR EXEMPTION CERTIFICATE**

**NUMBER WITH YOU (or send with your paperwork)**. As an Exchange member, you will also receive a Form 1095-A, which details your coverage. **BRING YOUR 1095-A to your appointment** (or send it) as well.

5. **IMPORTANT:** If you or a member of your Tax Household do not have health insurance, you need to go onto the website for the Exchange or Marketplace in your state or city and either apply for insurance or apply for an exemption. There are any number of reasons that a taxpayer can be exempted from having to have insurance and not have to pay a penalty:
- A. Coverage is unaffordable. There are guidelines that determine this on the website.
  - B. If there was a brief gap in coverage, which is defined as 1 or 2 months. Being without insurance for 3 months or more can put you in the non-compliant category. The good news with that is you only have to be covered for 1 day out of the month to be considered covered for that month.
  - C. Citizens living abroad and certain noncitizens
  - D. Member of a Health Care Sharing Ministry (Still not quite sure what that is. Let me know if you are member of one!)
  - E. Member of a federally recognized Indian tribe (Let me know that too!).
  - F. Incarceration post-conviction. This exemption will not fly if the family member is detained pending disposition or trial. This is only post-conviction incarceration.
  - G. Gap in coverage. If you applied on the Marketplace or Exchange and there was a delay in starting your coverage, or you thought you had coverage and realized it hadn't kicked in yet, you can get an exemption for the first 5 months of 2014.
  - H. If you or a member of your household is eligible for CHIP (Child Health Insurance Program), you can claim a coverage exemption for that individual.
  - I. Twenty-six states refused to expand their Medicaid programs to cover those whose household income is less than 138% of the federal poverty line. I only have a few clients who fit this category and reside in any of those states, and that covers those of you in VA, GA, TX, and PA.

There are other exemptions as well, but you will need to go online to the Exchange to determine if you're eligible for these or any other exemptions. **IF YOU DO NOT CURRENTLY HAVE HEALTH INSURANCE, YOU MUST APPLY FOR AN EXEMPTION BEFORE YOUR TAXES CAN BE FILED**, so please do this **BEFORE** coming in for your appointment or sending in your documents! Once you have applied for an exemption, we don't have to wait for the approval to file your taxes. We can indicate that your exemption application is "Pending". **PLEASE NOTE: THIS CANNOT BE DONE FROM MY OFFICE! YOU MUST DO THIS BEFORE YOU COME TO ME.**

6. The Premium Tax Credit (“PTC”) is a tax credit for certain people who enroll or their family member enrolls in a qualified health plan offered **THROUGH THE MARKETPLACE OR THE EXCHANGE**. That’s the kicker -- you can **only** get the PTC if you purchased health insurance through The Exchange or Marketplace and you are ineligible for any other type of insurance (such as employer or government-sponsored insurance) and the only way you would be able to get coverage is on the open individual market. If you got the Advance Payment of the Premium Tax Credit (APTC), you need to let me know that as well. When you applied for your insurance on The Exchange or Marketplace, they would have determined if you were eligible for APTC. The APTC is a payment made for coverage during the year 2014 directly to the taxpayer’s insurance provider that pays for part or all of the premiums for the coverage of the taxpayer or an individual in the taxpayer’s tax family, lowering your out-of-pocket costs. If the APTC was more than the taxpayer’s actual Premium Tax Credit (PTC) -- which gets determined when you get your taxes done -- the taxpayer will have an excess Advance Payment of Premium Tax Credit (APTC) and must repay the excess, subject to certain limitations. If the taxpayer’s PTC is more than the APTC, the taxpayer can reduce any tax you owe or increase your refund by the difference. Please note that there are income limitations on who is eligible for the PTC and the APTC, so everyone who has bought insurance from an Exchange will not necessarily be eligible for the PTC. **INTERESTING SIDE NOTE:** FYI, there is currently **NO** criminal penalty for not repaying any Advance Premium Tax Credit coverage. They can take it out of any refund you are due, or lower any tax you may owe, but other than that, there is no mechanism in place to collect it. Just thought you should know that . . .

We as tax preparers and you as taxpayers will have to work together to get through this change. Because this is so new and just being enacted, no one is an expert on it yet. As I stated earlier, even my instructor was baffled by some of the requirements and processes we as tax preparers will have to comply with the ACA. So pack your patience and try to prepare and educate yourself as much as possible on the ACA if you are affected by rules governing the Exchange and Marketplace purchase of insurance. I will continue to get information and training as well. More information can be found on the IRS website: [www.irs.gov](http://www.irs.gov). Don’t hesitate to contact me if you have questions or concerns. If I don’t readily have the answer, I will certainly try to find it for you!

I look forward to seeing and hearing from you soon!

Stay Blessed!

*Michelle T. Brown*