

## **Tax Provisions under the Affordable Care Act**

In 2010 President Obama signed the Affordable Care Act which mandates that government, the private sector, and individuals share the responsibility for health care coverage. According to the U.S. Department of Health and Human Services, the law has succeeded in making quality health care more affordable and accessible to all Americans, including the uninsured and underinsured. But what kind of impact will the law have on your 2014 taxes?

The Individual Shared Responsibility Provision outlines tax obligations under the Affordable Care Act. It requires taxpayers to meet one of three conditions:

- Have qualifying health insurance (also known as “minimum essential coverage”);
- Have an exemption from carrying minimum essential coverage;
- Make a shared responsibility payment when filing their federal income tax return.

Qualifying health insurance is coverage that is:

- provided by an employer;
- purchased through the Health Insurance Marketplace;
- provided under a government-sponsored program (such as Medicare); or
- purchased directly from an insurance company.

Taxpayers with qualifying health care coverage are not required to make a shared responsibility payment.

Taxpayers exempt from carrying health insurance coverage, and therefore from making a shared responsibility payment, must meet certain criteria which include:

- The lack of affordable coverage options (based on the annual premium in relation to household income);
- A lapse in coverage that is less than three consecutive months; or
- A qualifying exemption (such as incarceration, or belonging to a certain religious sect).

Taxpayers who do not meet the first two conditions may be required to make an Individual Shared Responsibility payment when filing their returns.

For 2014, the payment will be the greater of:

- 1% of household income above the tax return filing threshold for your filing status; or
- A flat rate of \$95 per adult and \$47.50 per child, limited to a family maximum of \$285.

The payment will be capped at the average premium cost for a bronze level health plan through the Marketplace.

Beginning in 2014, a premium tax credit will be available to qualifying individuals who purchase coverage through the Health Insurance Marketplace. Consumers must also:

- be ineligible for coverage through an employer or government plan;
- be within certain income limits; and
- not file a Married Filing Separately tax return

The premium tax credit can make health insurance coverage more affordable for moderate income families, enabling them to have the credit paid in advance to the insurance company to lower monthly premiums, or receive the full credit when they file their returns.

To learn more about how the health care laws affect you, visit [HealthCare.gov](http://HealthCare.gov).

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