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MEMORANDUM

September 25, 2014

To: Tribal Health Clients

From: HOBBS, STRAUS, DEAN AND WALKER, LLP

Re: ***IRS Draft Tax Form Enables Claiming ACA Exemptions through Tax Filing Process***

Geoff Strommer (by TAE)

The Internal Revenue Service (IRS) recently released Draft Form 8965, which allows American Indians and Alaska Natives (AI/ANs) to claim an exemption from the Affordable Care Act's (ACA) shared responsibility payment. The ACA requires individuals to obtain coverage that meets certain minimum requirements or pay a tax penalty. Individuals who are members of federally recognized tribes are eligible for a statutory exemption from this tax penalty under the ACA. Individuals who are eligible for Indian Health Service (IHS) services, such as descendants of tribal members, are eligible for a hardship exemption that was created by regulation. Draft Form 8965 simplifies the exemption-claiming process.

Previously, persons eligible for IHS services were instructed to apply for a hardship exemption through the health insurance exchanges, wait to receive an Exemption Certification Number (ECN), and include the ECN on their tax forms. Draft Form 8965, however, allows members of federally recognized tribes as well as persons eligible for IHS services to claim an exemption simply by indicating "E" on their tax form. Thus, now both tribal members and persons eligible for IHS services may claim an exemption through the tax-filing process rather than having to apply through the exchanges.

For more information, please contact Elliott Milhollin (at 202-822-8282 or emilhollin@hobbsstrauss.com) or Geoff Strommer (at 503-242-1745 or gstrommer@hobbsstrauss.com).



Indian Health Service Press Release

September 24, 2014

FOR IMMEDIATE RELEASE

Contact: (301) 443-3593; newsroom@ihs.gov

IHS website: <http://www.ihs.gov>

IHS eligible individuals will be able to claim exemption through tax filing process

Health and Human Services Secretary Sylvia M. Burwell announced last week that individuals eligible to receive health care from an Indian Health Service (IHS), tribal, or urban Indian health program provider will be able to claim an exemption from the shared responsibility payment through the tax filing process starting with the 2014 tax year. The Internal Revenue Service (IRS) and the Treasury Department intend to publish guidance later this year confirming that individuals who are eligible for this exemption may claim it through the tax filing process.

This benefit gives individuals who are eligible to receive services from an Indian health care provider, including the IHS, the same filing option as members of federally recognized tribes (including Alaska Native shareholders). Both groups will continue to have the option of submitting the exemption application through the Health Insurance Marketplace.

Prior to this week's announcement, exemptions were available both to individuals who were members of a federally recognized tribe and to individuals who are eligible to receive services from an Indian health care provider. But members of a tribe were able to claim an exemption through the federal tax filing process, while individuals who are eligible to receive services from an Indian health care provider were required to obtain this exemption through the Health Insurance Marketplace by filing a paper application.

The availability of the online tax filing process to apply for the Indian health care exemption will save time and reduce duplication of effort. Individuals intending to claim this exemption through the tax filing process should retain the same documentation that they would otherwise submit to the Marketplace as part of their exemption application.

Secretary Burwell first announced this updated rule at the Secretary's Tribal Advisory Committee meeting on September 18, 2014. This simplified process for claiming the exemption through the tax filing process was initiated based on requests by tribal leaders. The IHS worked closely with the Centers for Medicare and Medicaid Services and the IRS to extend these options to individuals eligible to receive services from an Indian health care provider.

The IHS, an agency in the U.S. Department of Health and Human Services, provides a comprehensive health service delivery system for approximately 2.2 million American Indians and Alaska Natives.

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, unexpected issues sometimes arise, or legislation is passed, necessitating a change to a draft form. In addition, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have at least some changes before being officially released.

Early releases of draft forms and instructions are at [IRS.gov/draftforms](https://www.irs.gov/draftforms). Please note that drafts may remain on IRS.gov even after the final release is posted at [IRS.gov/downloadforms](https://www.irs.gov/downloadforms), and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at [IRS.gov/formspubs](https://www.irs.gov/formspubs).

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at [IRS.gov/form1040](https://www.irs.gov/form1040); the Form W-2 page is at [IRS.gov/w2](https://www.irs.gov/w2); the Publication 17 page is at [IRS.gov/pub17](https://www.irs.gov/pub17); the Form W-4 page is at [IRS.gov/w4](https://www.irs.gov/w4); the Form 8863 page is at [IRS.gov/form8863](https://www.irs.gov/form8863); and the Schedule A (Form 1040) page is at [IRS.gov/schedulea](https://www.irs.gov/schedulea). If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the [Comment on Tax Forms and Publications](#) page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.



Instructions for Form 8965

Health Coverage Exemptions (and instructions for figuring your shared responsibility payment)

Future Developments

For the latest information about developments related to Form 8965 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8965.

General Instructions

Purpose of Form

Beginning in 2014, individuals must have health care coverage, have a health coverage exemption, or make a shared responsibility payment with their tax return. Use Form 8965 to report a coverage exemption granted by the Marketplace (also called the "Exchange") or to claim a coverage exemption on your tax return. In addition, if for any month you or another member of your tax household had neither health care coverage nor a coverage exemption, these instructions provide the information you will need to calculate your shared responsibility payment.

Some coverage exemptions are available only from the Marketplace, others are available only by claiming them on your tax return, and others are available from either the Marketplace or by claiming them on your tax return. If you or another member of your tax household was granted a coverage exemption from the Marketplace, complete Part I of Form 8965. If you or another member of your tax household is claiming a coverage exemption on your tax return, complete Part II or Part III of Form 8965. Depending on your situation, you may need to complete one or more parts of the form.

These instructions also provide the information you will need to calculate your shared responsibility payment if, for any month, you or another member of your tax household did not have qualifying health care coverage (referred to as "[minimum essential coverage](#)") or a coverage exemption. Use the [Shared Responsibility Payment Worksheet](#), later, to figure your payment, if any. You will report any payment amount on your return (Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11).

Who Must File

If you are required to file a tax return and you want to claim a coverage exemption for yourself or another member of your tax household, you must file Form 8965. Attach Form 8965 to your return (Form 1040, Form 1040A, or Form 1040EZ). If you are not required to file a tax return, your tax household is exempt from

the shared responsibility payment and you do not need to file a return to claim the coverage exemption. If you are not required to file a tax return but choose to file anyway, claim the coverage exemption on line 7a or 7b. (See the instructions under [Part II](#), later.)



Only one Form 8965 should be filed for each tax household. If you can be claimed as a dependent by another taxpayer, you do not need to file Form 8965 and do not owe a shared responsibility payment.



Even if you do not need to report or claim a coverage exemption, you will need to use the [Shared Responsibility Payment Worksheet](#) included in these instructions to calculate the shared responsibility payment if you or another member of your tax household did not have minimum essential coverage or a coverage exemption for one or more months.

More Information

For more information on coverage exemptions, the shared responsibility payment, and other terms discussed in these instructions, including links to the final regulations issued by the IRS and Treasury Department, go to www.irs.gov/uac/Individual-Shared-Responsibility-Provision.

Types of Coverage Exemptions

The [Types of Coverage Exemptions](#) chart, later, shows the types of coverage exemptions available and whether the coverage exemption may be granted by the Marketplace, claimed on your tax return, or both. If you are claiming a coverage exemption on your tax return, the right-hand column of the chart shows which code you should use in Part III to claim that particular coverage exemption.



Certain coverage exemptions may be granted by the Marketplace or may be claimed on your tax return. If you did not apply for a coverage exemption from the Marketplace during 2014, you generally must claim the coverage exemption on your tax return, if allowed. However, you may still apply to the Marketplace for a coverage exemption based on membership in certain religious sects or for certain hardship exemptions. If you need to apply for a coverage exemption from the Marketplace and do not have time before your tax filing deadline, you may request an extension to file your tax return. See Form 4868.

Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2014, including information about where the coverage exemptions can be obtained and the code for the coverage exemption that is to be used on Form 8965 when you claim the exemption. If your coverage exemption was granted by the Marketplace, enter the ECN (see the instructions for [Part I](#)).

Coverage Exemption	Granted by Marketplace	Claimed on tax return	Code for Exemption
Coverage is considered unaffordable — You cannot afford coverage because the minimum amount you must pay for premiums is more than 8% of your household income .		✓	A
Short coverage gap — You went without coverage for less than 3 consecutive months during the year.		✓	B
Citizens living abroad and certain noncitizens — You are: <ul style="list-style-type: none"> • 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. 		✓	C
Household income below the filing threshold — Your household income is below the minimum threshold for filing a tax return.		✓	No Code See Part II
Members of a health care sharing ministry — You are a member of a health care sharing ministry.	✓	✓	D
Members of Federally-recognized Indian tribes — You are a member of a Federally-recognized Indian tribe.	✓	✓	E
Incarceration — You are in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	✓	✓	F
Members of certain religious sects — You are a member of a recognized religious sect.	✓		No Code See Part I
Limited benefit Medicaid and TRICARE programs — You are enrolled in certain types of Medicaid and TRICARE programs that are not minimum essential coverage. (Available only in 2014.)		✓	H
Fiscal year employer-sponsored plan — You were eligible, but did not purchase, coverage under an employer plan with a plan year that started in 2013 and ended in 2014. (Available only in 2014.)		✓	H
Hardships:			
• Two or more family members' aggregate cost of self-only employer-sponsored coverage is more than 8% of household income, as is the cost of any available employer-sponsored coverage for the entire family.		✓	G
• You purchased insurance through the Marketplace during the initial enrollment period but have a coverage gap at the beginning of 2014.		✓	G
• You applied for CHIP coverage during the initial open enrollment period and were found eligible for CHIP based on that application but have a coverage gap at the beginning of 2014.		✓	G
• You are an American Indian, Alaska native, or a spouse or descendent of either who is eligible for services through an Indian health care provider.	✓	✓	E
• Your gross income is below the filing threshold.		✓	No Code See Part II
• You are experiencing circumstances that prevent you from obtaining coverage under a qualified health plan.	✓		No Code See Part I
• You do not have access to affordable coverage based on your projected household income.	✓		No Code See Part I
• 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.	✓		No Code See Part I
• You have been notified that your health insurance policy will not be renewed and you consider the other plans available unaffordable.	✓		No Code See Part I

More Information

Definitions

Tax household. For purposes of Form 8965, your tax household generally includes you, your spouse (if filing a joint return), and any individual you claim as a dependent on your return. It also generally includes each individual you can, but do not, claim as a dependent on your return. To find out if you can claim someone as your dependent, see *Exemptions for Dependents* in Pub. 501, *Exemptions, Standard Deduction, and Filing Information*, or *Line 6c—Dependents* in the instructions for Form 1040 or Form 1040A.

However, an individual is included in your tax household in a month only if he or she is alive for the full calendar month. Also, if you adopt a child during the year, the child is included in your tax household only for the full months that follow the month in which the adoption occurs.

Dependents of more than one taxpayer. Your tax household does not include someone you can, but do not, claim as a dependent if the dependent is properly claimed on another taxpayer's return or can be claimed by a taxpayer with higher priority under the tie-breaker rules described in Pub. 501.

Household income. For purposes of Form 8965, your household income is your modified adjusted gross income (MAGI) plus the MAGI of each individual in your tax household whom you claim as a dependent and who is required to file his or her own tax return. Use the [Filing Requirements for Children and Other Dependents](#) chart to determine whether your dependent is required to file his or her own tax return. You will need to calculate your household income to determine if you can claim the exemption for unaffordable coverage, if you can claim the exemption for individuals with household income below the filing threshold, or if you owe a shared responsibility payment. For information on how to figure MAGI for this purpose, see [Modified adjusted gross income \(MAGI\)](#), next.

Modified adjusted gross income (MAGI). For purposes of Form 8965, your MAGI is your adjusted gross income plus certain other items from your tax return.

If you file Form 1040. If you file Form 1040, figure your MAGI by adding the amounts reported on Form 1040, lines 8b and 37. If you claimed the foreign earned income exclusion, housing exclusion, or housing deduction, add the amount from Form 2555, lines 45 and 50, or Form 2555-EZ, line 18.

If you file Form 1040A. If you file Form 1040A, figure your MAGI by adding the amounts on Form 1040A, lines 8b and 21.

If you file Form 1040EZ. If you file Form 1040EZ, figure your MAGI by adding Form 1040EZ, line 4 and any tax-exempt interest reported in the space to the left of line 2.

Filing Requirements for Children and Other Dependents

This chart will help you determine whether your dependent is required to file his or her own tax return.

Single dependents. Was your dependent either age 65 or older or blind?

- No.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over \$1,000.
 - His or her earned income was over \$6,200.
 - His or her gross income was more than the **larger** of—
 - \$1,000, or
 - His or her earned income (up to \$5,850) plus \$350.
- Yes.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over \$2,550 (\$4,100 if 65 or older **and** blind).
 - His or her earned income was over \$7,750 (\$9,300 if 65 or older **and** blind).
 - His or her gross income was more than the **larger** of—
 - \$2,550 (\$4,100 if 65 or older **and** blind), or
 - His or her earned income (up to \$5,850) plus \$1,900 (\$3,450 if 65 or older **and** blind).

Married dependents. Was your dependent **either** age 65 or older **or** blind?

- No.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over \$1,000.
 - His or her earned income was over \$6,200.
 - His or her gross income was at least \$5 and his or her spouse files a separate return and itemizes deductions.
 - His or her gross income was more than the **larger** of—
 - \$1,000, or
 - His or her earned income (up to \$5,850) plus \$350.
- Yes.** Your dependent must file a return if **any** of the following apply.
- His or her unearned income was over \$2,200 (\$3,400 if 65 or older **and** blind).
 - His or her earned income was over \$7,400 (\$8,600 if 65 or older **and** blind).
 - His or her gross income was at least \$5 and his or her spouse files a separate return and itemizes deductions.
 - His or her gross income was more than the **larger** of—
 - \$2,200 (\$3,400 if 65 or older **and** blind), or
 - His or her earned income (up to \$5,850) plus \$1,550 (\$2,750 if 65 or older **and** blind).



In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

Marketplace. A Marketplace, or Health Insurance Marketplace (also referred to as an “Exchange”), is a governmental agency or nonprofit entity that makes qualified health plans available to individuals. The term “Marketplace” refers to state Marketplaces, regional Marketplaces, subsidiary Marketplaces, and the Federally-facilitated Marketplace.

Minimum essential coverage. Minimum essential coverage is coverage under a government-sponsored program, coverage from your employer, a plan that you buy in the individual market, or certain other coverage. The [Types of Minimum Essential Coverage](#) chart provides more information about the plans and arrangements that are minimum essential coverage.

Timing. You are considered to have minimum essential coverage for a month if you have it for at least 1 day during that month. For example, if you start a new job on June 26 and are covered under your employer’s plan starting on that day, you are treated as having coverage for the entire month of June.

Foreign coverage. In general, coverage provided by a foreign health insurance issuer or the government of a foreign country does not qualify as minimum essential coverage unless recognized as minimum essential coverage by the Department of Health and Human Services (HHS). However, certain coverage under a group health plan provided through insurance that is regulated by a foreign government has been recognized as minimum essential coverage by HHS, and individuals with such coverage should see Pub. 974, Premium Tax Credit (PTC). To find out if HHS has recognized additional forms of foreign coverage as minimum essential coverage, go to www.irs.gov/uac/Individual-Shared-Responsibility-Provision.

Coverage for business owners. Minimum essential coverage includes coverage provided to a business owner (such as a partner or sole proprietor) under a plan that is eligible employer-sponsored coverage with respect to at least one employee.

Types of Minimum Essential Coverage

Employer-sponsored coverage:

- Group health insurance coverage for employees under—
 - A governmental plan, such as the Federal Employees Health Benefit program
 - A plan or coverage offered in the small or large group market within a state
 - A grandfathered health plan offered in a group market
- A self-insured health plan for employees
- COBRA coverage
- Retiree coverage

Individual health coverage:

- Health insurance you purchase directly from an insurance company
- Health insurance you purchase through the Marketplace
- Health insurance provided through a student health plan
- Health coverage provided through a student health plan that is self-funded by a university*

Coverage under government-sponsored programs:

- Medicare Part A coverage
- Medicare Advantage plans
- Most Medicaid coverage**
- Children’s Health Insurance Program (CHIP)
- Most types of TRICARE coverage**
- Comprehensive health care programs offered by the Department of Veterans Affairs
- State high-risk health insurance pools*
- Health coverage provided to Peace Corps volunteers
- Department of Defense Nonappropriated Fund Health Benefits Program
- Refugee Medical Assistance

Other coverage:

- Certain foreign coverage
- Certain coverage for business owners

*This type of health coverage will not qualify as minimum essential coverage for plan years beginning after 2014 unless HHS recognizes it as minimum essential coverage under its own regulations.

**Medicaid and TRICARE programs that provide limited benefits generally do not qualify as minimum essential coverage; however, see [TRICARE or Medicaid programs that are not minimum essential coverage](#), later.

Flat Dollar Amount Worksheet



Do not complete this worksheet unless the amount on line 10 of the [Shared Responsibility Payment Worksheet](#) is less than \$285.

For each month, is the amount on line 5 of the Shared Responsibility Payment Worksheet less than the amount on line 10 of the Shared Responsibility Payment Worksheet?*	Yes	No
	Enter the amount from line 10	Enter the amount from line 5
1. January		
2. February		
3. March		
4. April		
5. May		
6. June		
7. July		
8. August		
9. September		
10. October		
11. November		
12. December		
13. Add the amounts in each column		
14. Add the amounts on line 13 of both columns. Enter the result on line 11 of the Shared Responsibility Payment Worksheet		

*If the amount on line 1 of the Shared Responsibility Payment Worksheet is -0- for any month, leave both columns of this worksheet blank for that month.

Filing Thresholds For Most People

If your filing status is:	And your age is:	Then you must file a return if your gross income is more than:
Single	Under 65	\$10,150
	65 or older	\$11,700
Head of Household	Under 65	\$13,050
	65 or older	\$14,600
Married Filing Jointly	Under 65 (both spouses)	\$20,300
	65 or older (one spouse)	\$21,500
	65 or older (both spouses)	\$22,700
Married Filing Separately	Any age	\$3,950
Qualifying Widow(er) with Dependent children	Under 65	\$16,350
	65 or older	\$17,550



Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Include only the taxable part of social security benefits (Form 1040, line 20b; Form 1040A, line 14b). Also include gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

Specific Instructions

Part I — Marketplace-Granted Coverage Exemptions for Individuals

If you or another member of your tax household has been granted one or more coverage exemptions from the Marketplace, complete Part I to report these exemptions. Complete a line for each individual who received a Marketplace-granted coverage exemption. If an individual was granted more than one coverage exemption from the Marketplace, complete a separate line for each coverage exemption granted to that individual. If your tax household was granted more than six coverage exemptions from the Marketplace, attach a separate statement showing the information required in columns a through c for each additional coverage exemption.

Lines 1–6

Column a—Name of Individual

Enter the name of each person in your tax household who was granted a coverage exemption from the Marketplace. If the individual is listed on page 1 of your tax return, enter the name exactly as it appears on your tax return.

Column b—Social Security Number (SSN)

Enter the SSN of the individual listed in column a. If the individual is listed on page 1 of your tax return, the SSN in this column should match the individual's SSN listed on your return. If you did not provide an SSN to the Marketplace for the individual, leave column b blank for that individual.

Column c—Exemption Certificate Number (ECN)

Enter the ECN that you received from the Marketplace for the individual listed in column a. If you were granted a coverage exemption from the Marketplace, but did not receive an ECN, or do not know your ECN, contact the Marketplace to obtain your ECN.

Recognized religious sect (enter ECN). An individual may claim a coverage exemption for members of recognized religious sects only if the Marketplace has granted the individual an exemption. A recognized religious sect is a religious sect in existence since December 31, 1950, that is recognized by the Social Security Administration as conscientiously opposed to accepting any insurance benefits, including Medicare and social security.

TIP *In addition to the coverage exemption for members of recognized religious sects, certain hardship exemptions also may be granted only by the Marketplace. See the [Types of Coverage Exemptions](#) chart, earlier.*

TIP *Members of a health care sharing ministry, members of Federally-recognized Indian tribes, individuals eligible for services from an Indian health service provider, and incarcerated individuals may have been granted a coverage exemption from the Marketplace or may claim a coverage exemption on their tax return. If you received one of these coverage exemptions from the Marketplace, follow the instructions for Part I to report your exemption. If you did not receive a coverage exemption from the Marketplace and want to claim one of these exemptions on your return, see the instructions for [Part III](#), later.*

Part II — Coverage Exemptions for Your Household Claimed on Your Return

Use Part II to claim a coverage exemption on behalf of your tax household because your household income or your gross income is below your filing threshold. See [Filing Thresholds For Most People](#), earlier, to figure your filing threshold.

TIP *If you are not required to file a tax return and do not wish to file a return, your tax household is exempt from the shared responsibility payment and you do not need to file a return or do anything else to claim the coverage exemption. If you choose to file a tax return anyway, see the instructions for lines 7a and 7b next.*

Line 7a—Household Income Below Filing Threshold

You can claim a coverage exemption if your household income is below your filing threshold. To claim this coverage exemption, you must first figure your household income (see [Household Income](#), under *Definitions*, earlier). Then compare your household income to the filing threshold that applies to you based on your filing status. If your household income is below your filing threshold, check the box labeled “yes.”

If you qualify for this coverage exemption, everyone in your tax household is exempt for the entire year.

Line 7b—Gross Income Below Filing Threshold

You can claim a hardship exemption if your gross income is below your filing threshold. To claim this hardship exemption, you must first figure your gross income. Then compare your gross income to the filing threshold that applies to you based on your filing status. See [Filing Thresholds For Most People](#), earlier. If your gross income is below your filing threshold, check the box labeled “yes.”

If you qualify for this coverage exemption, everyone in your tax household is exempt for the entire year.

Part III — Coverage Exemptions for Individuals Claimed on Your Return

Use Part III to claim a coverage exemption on your tax return for yourself or another member of your tax household. Complete a line for each individual for whom you are claiming a coverage exemption. If you are claiming more than one coverage exemption for any individual, you must generally complete a separate line for each coverage exemption. But if, for any individual, you are claiming two or more different types of coverage exemptions that have the same code listed in the [Types of Coverage Exemptions](#) chart, use a single line to claim those coverage exemptions. If you need more than six lines, attach a separate statement showing the information required in columns a through p, as applicable, for each additional coverage exemption.

TIP *Coverage exemptions that may be granted for less than a full tax year apply in all months in which an individual was eligible for the coverage exemption for at least one day in that month. For example, if an individual is incarcerated following the disposition of charges from June 30 to July 30, the individual is eligible for the coverage exemption for June and July.*

Lines 8–13

Column a—Name of Individual

Enter the name of each person in your tax household for whom you are claiming a coverage exemption. If the individual is listed on page 1 of your tax return, enter the name exactly as it appears on your tax return.

Column b—Social Security Number (SSN)

Enter the SSN of the individual listed in column a. If the individual is listed on page 1 of your tax return, the SSN in this column should match the individual's SSN listed on your tax return.

IRS Individual Taxpayer Identification Number (ITIN) for Aliens. If the individual listed in column a does not have and is not eligible to get an SSN, enter the ITIN assigned to that person by the IRS. If the individual was placed with you for legal adoption and you do not know his or her SSN, enter the adoption taxpayer identification number (ATIN) assigned to that individual by the IRS.

No identification number. If the individual listed in column a does not have and was not required to get an SSN, ITIN, ATIN, or other identification number from the IRS, leave column b blank for that individual.

Column c—Exemption Type

Use column c to identify the type of coverage exemption you are claiming for yourself or another member of your tax household. Enter the code for the appropriate coverage exemption listed below and in the [Types of Coverage Exemptions](#) chart, earlier.

Coverage is unaffordable (code "A"). You can claim a coverage exemption for yourself or another member of your tax household for any month when the lowest cost coverage through an employer-sponsored plan or, if the individual does not have access to employer-sponsored coverage, the Marketplace is unaffordable for the individual. Coverage is unaffordable if the individual's required contribution (described below) is more than 8% of household income.

Use the [Affordability Worksheet](#), later, to determine whether this coverage exemption applies to your or another member of your tax household for one or months of the year.

To claim this coverage exemption, enter code "A" in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

Your required contribution depends on the type of coverage you are eligible to purchase. If you or another member of your tax household is eligible for coverage under an employer plan, see [Determining an individual's required contribution—Individuals eligible for coverage under an employer plan](#), later, to determine if you or another member of your tax household qualifies for the exemption for coverage that is unaffordable. If you or another member of your tax household is not eligible for coverage under an employer plan, see [Determining and individual's required contribution—Individuals not eligible for coverage under an employer plan](#), later. Individuals eligible for coverage under an employer plan for a month do not need to determine whether other coverage would be affordable for that month. An individual is eligible for coverage under an employer plan for a month if the individual could have enrolled in the plan and had coverage for any day that month, even if the individual is eligible for another type of minimum essential coverage.

Household income adjustment. For purposes of determining whether this coverage exemption applies, increase

household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.

Determining an individual's required contribution—Individuals eligible for coverage under an employer plan.

Employees eligible for self-only coverage from their employers. If you or another member of your tax household is an employee and is eligible for self-only coverage through his or her own employer, the employee's required contribution is the amount he or she would pay for the lowest cost self-only coverage in which he or she can enroll. For this purpose, the amount the employee would pay includes an amount that may be paid through a salary reduction arrangement.

Other family members eligible for employer coverage. If you or another member of your tax household is not eligible for coverage through his or her own employer (if any) but is eligible for family coverage under a plan offered by your employer or your spouse's employer if filing jointly (for example, a child who is eligible to enroll in family coverage offered by your employer), the individual's required contribution is the amount the employee would pay for the lowest cost family coverage that would cover everyone in the tax household:

- for whom a personal exemption deduction is claimed on your tax return,
- who is eligible for the coverage, and
- who does not qualify for another coverage exemption.

For this purpose, the amount the employee would pay includes amounts that may be paid through a salary reduction arrangement.

Example 1—unmarried employee with no dependents. Joyce is unmarried and has no dependents. Her household income is \$60,000. During 2014, Joyce could purchase self-only coverage through her employer at a total cost to her of \$5,000. As a result, Joyce is eligible for the exemption for unaffordable coverage because her required contribution (\$5,000) is more than 8% of her household income (\$4,800, which is \$60,000 multiplied by .08).

Example 2—married employee with dependents. Susan and Lee are married and file a joint return for 2014. They have two children, Elizabeth and Emilee, whom they claim as dependents on their return. During 2014, Susan could purchase self-only coverage under a plan offered by her employer at a cost to her of \$5,000. Susan could also purchase family coverage under the plan, which would cover her, Lee, Elizabeth, and Emilee, at a cost to her of \$20,000. Their household income for 2014 is \$90,000.

Susan is not eligible for the exemption for unaffordable coverage for 2014 because her required contribution (\$5,000) is not more than 8% of her household income (\$7,200, which is \$90,000 multiplied by .08). The required contribution for Lee, Elizabeth, and Emilee is Susan's share of the cost for family coverage (\$20,000), which is more than 8% of their household income (\$7,200). As a result, Lee, Elizabeth, and Emilee are eligible for the exemption for unaffordable coverage for 2014.

Employer-sponsored coverage for part of the year. If you or another member of your tax household becomes unemployed or changes employers during the year, test the affordability of coverage for that individual separately for each employment period. Similarly, if the required contribution for any employer plan changes during the year (generally because one plan year ends and another one starts during the year), test the affordability of the coverage separately for each period.

An individual is eligible for the exemption for unaffordable coverage for a part-year period if the individual is eligible for employer-sponsored coverage and the annualized premium for self-only coverage (in the case of an employee) or family coverage (in the case of a related individual) under the plan for

the part-year period is not more than 8% of your household income.

You can use the [Annualized Premium Worksheet](#) to figure the annualized premium.



If you or another member of your tax household is eligible for coverage under an employer plan with a plan year that starts in 2013 and ends in 2014, see [Non-calendar year employer plans from 2013](#), later. You do not owe a shared responsibility payment for that individual for any month during that plan year (use code “H” to claim this coverage exemption). You will, however, need to test the affordability of coverage for any part of the following plan year that is included in 2014 (i.e., the new plan year that begins in 2014).

Annualized Premium Worksheet



Complete a separate worksheet for each part-year period.

1. Enter the premiums paid during the part-year period _____
2. Enter the number of full months in the part-year period _____
3. Divide line 1 by line 2 _____
4. Multiply line 3 by 12.0. This is your annualized premium _____

Example 3—plan year other than calendar year. Braden is unmarried and has no dependents. His household income is \$60,000. Braden is eligible for coverage under his employer's plan, but the plan does not run on a calendar year. In June 2013, Braden could have purchased self-only coverage for the period from July 2013 through June 2014 at a total cost to him of \$4,750. In June 2014, he can purchase self-only coverage for the period from July 2014 through June 2015 at a total cost to him of \$5,000. Braden is eligible for the coverage exemption for [non-calendar year employer plans from 2013](#), explained later, for January 2014 through June 2014. Braden is eligible for the exemption for unaffordable coverage from July 2014 through December 2014 because his annualized required contribution for that period is \$5,000 (\$2,500 paid for premiums during the 6-month period divided by 6 and multiplied by 12), which is more than 8% of his household income (\$4,800, which is \$60,000 multiplied by .08).

Determining an individual's required contribution—Individuals not eligible for coverage under an employer plan. If you or another member of your tax household cannot purchase coverage under an employer plan, the individual's required contribution is based on the premium for the lowest cost bronze plan available through the Marketplace minus the maximum premium tax credit that you could have claimed if the individuals had enrolled in this plan. Use the [Marketplace Coverage Affordability Worksheet](#) to determine whether you or another member of your tax household is eligible for this coverage exemption.

For this purpose, use the lowest cost bronze plan available through the Marketplace that covers everyone in your tax household:

- for whom a personal exemption deduction is claimed on your tax return,
- who is not eligible for employer coverage, and
- who does not qualify for another coverage exemption.

For information on the lowest cost bronze plan you could have purchased for your tax household, visit www.healthcare.gov or contact the Marketplace serving your area. Subtract from the premium the premium tax credit that would have been allowed for the year if these individuals had been covered by a qualified health plan offered through the Marketplace. You can claim the exemption for unaffordable

coverage for the individual if the result is more than 8% of your household income.

If the Marketplace serving the area where the individual resides does not offer a single bronze plan that covers everyone in your tax household who may be eligible for the exemption for unaffordable coverage, add the premiums for the lowest cost bronze plans that are offered through the Marketplace where one or more of the members of your tax household who may be eligible for this exemption reside that would together cover all of these individuals.

For information about the premium tax credit, see the instructions for Form 8962 and Pub. 974.

Example 4—unmarried individual with no dependents and no employer coverage. Eastin is unmarried and has no dependents. His household income is \$40,000. For each month in 2014, he is ineligible to enroll in employer coverage. The annual premium for the lowest cost bronze self-only plan in Eastin's rating area is \$5,000 and the maximum premium tax credit that he can claim is \$1,700. Eastin is eligible for the exemption for unaffordable coverage for 2014 because his required contribution is \$3,300 (\$5,000 minus \$1,700), which is more than 8% of his household income (\$3,200, which is \$40,000 multiplied by .08).

Short gap in coverage (code “B”). You generally can claim a coverage exemption for yourself or another member of your tax household for each month of a gap in coverage of less than 3 consecutive months. If an individual had more than one short coverage gap during the year, the individual is exempt only for the month(s) in the first gap. If an individual had a gap of 3 months or more, the individual is not exempt for any of those months. For example, if an individual had coverage for every month in the year except February and March, the individual is exempt for those 2 months. However, if an individual had coverage for every month in the year except February, March, and April, the individual is not exempt for any of those months.

Example—short coverage gap. Fred has minimum essential coverage except for the period April 5 through July 25. An individual is treated as having coverage for any month in which he or she has coverage for at least 1 day of the month. As a result, Fred has minimum essential coverage in April and July and is eligible for the short coverage gap exemption for May and June.

To claim this coverage exemption, enter code “B” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

Citizens living abroad and certain noncitizens (code “C”).

You can claim a coverage exemption for yourself or another member of your tax household to which any of the following apply.

- The individual is a U.S. citizen or resident who is not physically present in the U.S. for at least 330 full days within a 12-month period. You can claim the coverage exemption for any month during your tax year that is included in the 12-month period.
- The individual is a U.S. citizen who is a bona fide resident of a foreign country (or countries) for an entire tax year. You can claim the coverage exemption for the entire year. For more information, see *Bona Fide Residence Test* in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.
- The individual is a bona fide resident of a U.S. territory. You can claim the coverage exemption for the entire year.
- The individual is not a U.S. citizen or U.S. national nor an individual lawfully present in the U.S.
- You file a Form 1040NR or Form 1040NR-EZ. Do not attach Form 8965 to your tax return.

To claim this coverage exemption, enter code “C” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.



If you or another member of your tax household was a member of a health care sharing ministry and was granted a coverage exemption by the Marketplace, see the instructions for [Part I](#), earlier, to claim the exemption.

Member of a health care sharing ministry (code “D”). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was a member of a health care sharing ministry for at least 1 day in the month. Enter code “D” in Part III, column c, and identify the months to which the coverage exemption applies as described under [Column d - p—Calendar Months](#), later.

In general, a health care sharing ministry is a tax-exempt organization whose members share a common set of ethical or religious beliefs and share medical expenses in accordance with those beliefs, even after a member develops a medical condition. The health care sharing ministry (or a predecessor) must have been in existence and sharing medical expenses continuously and without interruption since December 31, 1999. An individual who is unsure whether a ministry meets the requirements should contact the ministry for further information.

Member of a Federally-recognized Indian tribe (code “E”). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was a member of a Federally-recognized Indian tribe for at least 1 day in the month. The [list of Federally-recognized Indian tribes](#) is available at www.bia.gov/WhoWeAre/BIA/OIS/TribalGovernmentServices/TribalDirectory.

To claim this coverage exemption, enter code “E” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

Affordability Worksheet

Use this worksheet to determine whether coverage for each individual in your tax household is unaffordable. If you or another member of your tax household is not eligible for employer-sponsored coverage, use the [Marketplace Coverage Affordability Worksheet](#) to figure the required contribution for that individual below. An individual is exempt for any month in which (B), the Required Contribution, is more than (A), the Affordability Threshold.

(A) Affordability Threshold						
Enter 8% of your household income (see Household income). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.						
(B) Required Contribution Amount						
For each member of your tax household, enter in the columns provided the annual premium for the first option below that applies to that person. If the premium is the same for the whole year, enter the same value for each month. If the premiums covers only part of the year, use the Annualized Premium Worksheet to determine what the annualized premium would be for each month.						
Options (use the first that applies to each member of your tax household, including you, for each month):						
1. The lowest cost self-only policy offered to each member of your tax household by his or her employer.						
2. The lowest cost family policy* offered by your employer or your spouse's employer (if you are filing a joint return).						
3. The amount from the Marketplace Coverage Affordability Worksheet.						
For each individual, coverage is unaffordable and the individual is exempt if (B), the Required Contribution Amount, is greater than (A), the Affordability Threshold.						
Members of your tax household (enter one name per column):						
Premium for:						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
*The policy must cover everyone in your tax household:						
<ul style="list-style-type: none"> • for whom a personal exemption deduction is claimed on your tax return, • who is not eligible for employer coverage, and • who does not qualify for another coverage exemption. 						



If you or another member of your tax household was a member of a Federally-recognized Indian tribe and was granted a coverage exemption by the Marketplace, see the instructions for [Part I](#), earlier, to claim the exemption.

Incarceration (code "F"). You can claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was incarcerated for at least 1 day in the month. For this purpose, an individual is considered incarcerated if he or she was confined, after the disposition of charges, in a jail, prison, or similar penal institution or correctional facility. To claim this coverage exemption, enter code "F" in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.



If you or another member of your tax household was incarcerated and was granted a coverage exemption by the Marketplace, see the instructions for [Part I](#), earlier, to claim the exemption.

Hardship exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable (code "G"). You and any other members of your tax household for whom you claim a personal exemption deduction can claim a hardship exemption for all months in 2014 if, for at least 1 month in 2014:

1. The cost of each self-only coverage through employers for two or more members of your tax household does not exceed 8% of household income when tested individually, and

2. The cost of family coverage that the members of your tax household described in condition 1 could enroll in through an employer exceeds 8% of household income, and

3. The combined cost of the self-only coverage identified in condition 1 exceeds 8% of household income.

Example 1—unaffordable self-only coverage. Justin and Sally are married, have no dependents, and file a joint return. Justin is offered self-only coverage through his employer at a cost of 6% of the household income and is offered family coverage that would cover both Sally and him at a cost of 10% of the household income. Sally is offered self-only coverage through her employer at a cost of 5% of the household income. Sally and Justin both may claim the hardship exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable because the self-only coverage offered to Justin and Sally does not exceed 8% of the household income when tested individually, the cost of family coverage exceeds 8% of the household income, and the combined cost of the self-only coverage offered to Justin and Sally exceeds 8% of the household income.

Example 2—affordable family coverage. The facts are the same as in Example 1 except Justin's employer offers family coverage that would cover both Sally and him at a cost of 7% of the household income. Neither Justin nor Sally may claim the hardship exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable, because Justin's family coverage covers both Justin and Sally and its cost does not exceed 8% of the household income.

Marketplace Coverage Affordability Worksheet

Use this worksheet to figure an individual's required contribution for any month in which the individual is not eligible for employer-sponsored coverage. Complete a separate worksheet for each part of the year in which either the individual resided in different geographic rating areas served by the Marketplace or for which the number of people in your tax household who are neither exempt nor eligible for employer-sponsored coverage was different.



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

- | | | |
|-----|--|-------|
| 1. | Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area | _____ |
| 2. | Enter your household income (see Household income) | _____ |
| 3. | Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return* | _____ |
| 4. | Add lines 2 and 3 | _____ |
| 5. | Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4 | _____ |
| 6. | Divide line 4 by line 5 | _____ |
| 7. | Enter the applicable figure for the amount on line 3 from the table in the instructions for Form 8962, line 7 | _____ |
| 8. | Multiply line 4 by line 7 | _____ |
| 9. | Divide line 8 by 12.0 | _____ |
| 10. | Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go to the Marketplace for your area | _____ |
| 11. | Subtract line 9 from line 10 | _____ |
| 12. | Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month. Enter it in the space for the appropriate month on the Affordability Worksheet | _____ |

*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

Example 3—one spouse enrolls in coverage. The facts are the same as in Example 1 except Justin enrolls in the self-only coverage offered by his employer. Sally may claim the hardship exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable.

To claim this coverage exemption, enter code “G” in Part III, column c, and check the box in column d.

Hardship exemption for individuals who purchased insurance during initial open enrollment (code “G”). If you or another member of your tax household enrolled in an insurance plan through the Marketplace during the initial open enrollment period, you can claim a coverage exemption for that individual for any month before the effective date of the individual’s coverage. For most taxpayers, the initial open enrollment period began on October 1, 2013, and ended on March 31, 2014.

TIP *If you purchased insurance from the Marketplace on or after December 24, 2013, your insurance may not have been effective for 1 or more months during 2014. You can claim a hardship exemption for those months.*

To claim this coverage exemption, enter code “G” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

CHIP application during open enrollment (code “G”). If you or another member of your tax household applied for CHIP during the initial open enrollment period and, based on that application, was found eligible for CHIP, you can claim a coverage exemption for that individual for any month before the effective date of the individual’s coverage. For most taxpayers, the initial open enrollment period began on October 1, 2013, and ended on March 31, 2014.

To claim this coverage exemption, enter code “G” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

Eligible for services from an Indian health service provider (code “E”). If you or another member of your tax household is an American Indian, Alaska native, or a spouse or descendant of either who is eligible for services through an Indian health care provider, you can claim the coverage exemption for those eligible services from an Indian health services provider. This coverage exemption is separate from the coverage exemption for members of a Federally-recognized Indian tribe. If you or another member of your tax household is eligible for both of

these coverage exemptions for the entire year, you only need to claim one of the two exemptions with respect to that individual.

To claim this coverage exemption, enter code “E” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

TRICARE or Medicaid programs that are not minimum essential coverage (code “H”). Government-sponsored programs that provide only limited-benefit coverage generally do not qualify as minimum essential coverage; however, for 2014 only you can claim a coverage exemption with respect to an individual for any month during 2014 in which the individual is enrolled in one of the following programs:

- Family planning services Medicaid,
- Tuberculosis-related services Medicaid,
- Pregnancy-related Medicaid,
- Emergency medical conditions Medicaid,
- Coverage authorized under section 1115 of the Social Security Act,
- Medicaid for the medically needy,
- Limited-benefit TRICARE coverage of space-available care, or
- Limited-benefit TRICARE coverage of line-of-duty care.

To claim this coverage exemption, enter code “H” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#), later.

TIP *You should check www.irs.gov/uac/Individual-Shared-Responsibility-Provision for future updates about whether any of these programs are recognized as minimum essential coverage after 2014.*

Non-calendar year employer plans from 2013 (code “H”). If you or another member of your tax household was eligible for coverage under an employer plan with a plan year that started in 2013 and ended in 2014, you can claim a coverage exemption for that individual for any month during that plan year.

To claim this coverage exemption, enter code “H” in Part III, column c, and identify the months to which the exemption applies as described under [Column d - p—Calendar Months](#) next.

Columns d – p—Calendar Months

For each coverage exemption claimed in column a, check the appropriate box or boxes for the months for which the particular exemption applies. If the coverage exemption applies for the full year, check the box in column d and do not check the boxes in columns e – p.