2014

Department of the Treasury
Internal Revenue Service

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 tax 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, you do not have minimum essential coverage for yourself and everyone else in your tax household, and you want to report or claim a coverage exemption for yourself or another member of your tax household, file Form 8965 to report or claim coverage exemptions. Attach Form 8965 to your tax return (Form 1040, Form 1040A, or Form 1040EZ).

If you are unable to check the box on your Form 1040 series return indicating that every member of your tax household had minimum essential coverage in every month of 2014 (and therefore you are filing Form 8965 to report or claim a coverage exemption or are making a shared responsibility payment), you do not need to take any action to indicate that some members of your tax household had minimum essential coverage for some or all months in 2014.

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 tax return to claim the coverage exemption. However, if you are not required to file a tax return but choose to file anyway, claim the coverage exemption on line 7a or 7b of Form 8965. (See the instructions under *Part II*, later.)

CAUTION *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.*

CAUTION *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. Report any payment amount on your tax return but do not submit the Shared Responsibility Payment Worksheet to the IRS.*

More Information

For more information on coverage exemptions, the shared responsibility payment, and other terms discussed in these instructions, including answers to Frequently Asked Questions and links to the final regulations issued by the Treasury Department and IRS, 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 in Part III, the right-hand column of the chart shows which code you should enter in column c to claim that particular coverage exemption.

TIP *If you did not apply for a coverage exemption from the Marketplace during 2014, claim the coverage exemption on your tax return, if allowed. If the coverage exemption can be granted only by the Marketplace (for example, a coverage exemption based on membership in certain religious sects or certain other exemptions sometimes referred to as hardship exemptions), apply to the Marketplace for that coverage exemption before filing your tax return. If the Marketplace has not processed your application before you file your tax return, complete Part I and enter "pending" in column c for each individual listed.*

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
Income below the filing threshold — Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.			No Code See Part II
Coverage considered unaffordable — The minimum amount you would have paid 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 were: • 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 was a bona fide resident of a foreign country or U.S. territory; • A resident alien who was a citizen of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and you were a bona fide resident of a foreign country for the tax year; or • Not a U.S. citizen, not a U.S. national, and not an individual lawfully present in the U.S. For more information about who is treated as lawfully present for purposes of this coverage exemption, visit *healthcare.gov*.		✓	C
Members of a health care sharing ministry — You were a member of a health care sharing ministry.	✓	✓	D
Members of Indian tribes — You were either a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	✓	✓	E
Incarceration — You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	✓	✓	F
Aggregate self-only coverage considered unaffordable — Two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8% of household income, as was the cost of any available employer-sponsored coverage for the entire family.		✓	G
Gap in coverage at the beginning of 2014 — You had a coverage gap at the beginning of 2014 but were either enrolled in, or were treated as having enrolled in, coverage through the Marketplace or outside of the Marketplace with an effective date on or before May 1, 2014.		✓	G
Gap in CHIP coverage — You applied for CHIP coverage during the initial open enrollment period and were found eligible for CHIP based on that application but had a coverage gap at the beginning of 2014.		✓	G
Resident of a state that did not expand Medicaid — Your household income was below 138% of the federal poverty line for your family size and at any time in 2014 you resided in a state that did not participate in the Medicaid expansion under the Affordable Care Act.	✓	✓	G
Limited benefit Medicaid and TRICARE programs that are not minimum essential coverage — You were enrolled in certain types of Medicaid and TRICARE programs that are not minimum essential coverage. (Available only in 2014.)		✓	H
Employer coverage with non-calendar plan year beginning in 2013 — 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
Members of certain religious sects — You are a member of a recognized religious sect.	✓		Need ECN See Part I
Determined ineligible for Medicaid in a state that did not expand Medicaid coverage — You were determined ineligible for Medicaid solely because the state in which you resided did not participate in Medicaid expansion under the Affordable Care Act.	✓		Need ECN See Part I
General hardship — You experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
Coverage considered unaffordable based on projected income — You did not have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
Unable to renew existing coverage — You were notified that your health insurance policy was not renewable and you considered the other plans available unaffordable.	✓		Need ECN See Part I
AmeriCorps coverage — You were engaged in service in AmeriCorps State and National, VISTA, or NCCC programs and were covered by short-term duration coverage or self-funded coverage provided by these programs.	✓		Need ECN 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 tax return. It also generally includes each individual you can, but do not, claim as a dependent on your tax 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 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 or the exemption for individuals with household income below the filing threshold, and also 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 the amount on 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).

TIP 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 health coverage that satisfies the individual shared responsibility provision. Minimum essential coverage generally includes coverage under a government-sponsored program, coverage from your employer, a plan that you buy in the individual market, and 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 employer to its employees and related individuals is minimum essential coverage. Individuals with such coverage should see Pub. 974, Premium Tax Credit (PTC). However, coverage purchased directly from a foreign health insurance issuer or provided by 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). To find out if HHS has recognized particular 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 *Limited benefit Medicaid or TRICARE programs that are not minimum essential coverage*, later.

Shared Responsibility Payment Worksheet

If you or another member of your tax household had neither minimum essential coverage nor a coverage exemption for any month during 2014, use the Shared Responsibility Payment Worksheet, below, to figure your shared responsibility payment. You will enter the amount from line 14 of the worksheet on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11.

Complete the monthly columns by placing "X's" in each month in which you or another member of your tax household had neither minimum essential coverage nor a coverage exemption.

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Total number of X's in a month. If 5 or more, enter 5												
2. Total number of X's in a month for individuals 18 or over*												
3. One-half the number of X's in a month for individuals under 18*												
4. Add lines 2 and 3 for each month												
5. Multiply line 4 by $95 for each month. If $285 or more, enter $285												

6. Sum of the monthly amounts entered on line 1 ..... _____

7. Enter your household income (see *Household income*, earlier) ..... _____

8. Enter your filing threshold (see *Filing Thresholds For Most People*, later) ..... _____

9. Subtract line 8 from line 7 ..... _____

10. Multiply line 9 by 1% (.01) ..... _____

11. Is line 10 more than $285?

☐ **Yes.** Multiply line 10 by the number of months for which line 1 is more than zero

☐ **No.** Enter the amount from line 14 of the Flat Dollar Amount Worksheet

} ..... _____

12. Divide line 11 by 12.0 ..... _____

13. Multiply line 6 by $204** ..... _____

14. Enter the smaller of line 12 or line 13 here and on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11. This is your shared responsibility payment ..... _____

*For purposes of figuring the shared responsibility payment, an individual is considered under 18 for an entire month if he or she did not turn 18 before the first day of the month. An individual turns 18 on the anniversary of the day the individual was born. For example, someone born on March 1, 1999, is considered age 18 on March 1, 2017, and, therefore, is not considered age 18 for purposes of the shared responsibility payment until April 2017.

**$204 is the 2014 national average premium for a bronze level health plan available through the Marketplace for one individual and should not be changed.

Flat Dollar Amount Worksheet

CAUTION 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 Enter the amount from line 10	No 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 tax 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

TIP 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, or has an application for a coverage exemption pending with the Marketplace, complete Part I to report these exemptions. Complete a line for each individual who received or has a pending application for a Marketplace-granted coverage exemption. If an individual was granted or has a pending application for more than one coverage exemption from the Marketplace, complete a separate line for each coverage exemption for that individual. If your tax household was granted or has a pending application for 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 or has an application for a coverage exemption pending with 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 tax return.

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. If the Marketplace has not processed your application before you file, enter "pending."

Members of certain religious sects (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 other exemptions sometimes referred to as 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 care 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 tax 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 less than 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 your gross income is less than your filing threshold but you file a tax return for any reason, 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 less than 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 less than 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 coverage exemption if your gross income is less than your filing threshold. To claim this coverage 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 less than 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 an additional page 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 28 to July 28, 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 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 considered 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, coverage in 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 you 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. 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. 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. 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.

Household income adjustment. For purposes of determining whether this coverage exemption applies, increase household income by the amount that the wages of you or your tax household were reduced to pay all or a portion of the premiums for employer-sponsored coverage (a salary reduction arrangement).

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 can claim 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 $4,000. Susan could also purchase family coverage under the plan, which would cover her, Lee, Elizabeth, and Emilee, at a cost to her of $12,000. Their household income for 2014 is $90,000.

Susan is ineligible for the exemption for unaffordable coverage for 2014 because her required contribution ($4,000) 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 ($12,000), 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.

Coverage under an employer plan is considered unaffordable for a part-year period if 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 more than 8% of your household income.

You can use the Annualized Premium Worksheet to figure the annualized premium.

TIP *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, see* Non-calendar year employer plan beginning in 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). However, this exemption is not available for the months in 2014 that follow the last month included in the plan year that started in 2013 and ended in 2014.*

Annualized Premium Worksheet

CAUTION *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 could have purchased self-only coverage for the period from July 2014 through June 2015 at a total cost to him of $5,000. Braden can claim the coverage exemption for non-calendar year employer plans from 2013, explained later, for January 2014 through June 2014. Braden can claim 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 *healthcare.gov* or contact the Marketplace serving your area. Subtract from the premium the maximum premium tax credit that you could have claimed if these individuals had enrolled in that plan. 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 would cover 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 could claim if he had enrolled in this coverage is $1,700. Eastin can claim 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 coverage gap (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 physically present in a foreign country (or countries) 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. For more information, see *Physical Presence Test* in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.
- 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.
- The individual is a resident alien who is a citizen or national of a country with which the U.S. has an income tax treaty with an applicable nondiscrimination clause and who is a bona fide resident of a foreign country for an uninterrupted period that includes 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.
- 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, not a U.S. national, and not an individual lawfully present in the U.S. For more information about who is treated as lawfully present for purposes of this coverage exemption, visit *healthcare.gov*.
- 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.

Members 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.

TIP *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.*

Members of Indian tribes or individuals otherwise eligible for services from an Indian health care provider (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, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), 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*. The list of village or regional corporations formed under ANCSA is available at *dnr.alaska.gov/mlw/trails/17b/corpindex.cfm*. You can also claim a coverage exemption for yourself or another member of your tax household for any month in which the individual was eligible for services through an Indian health care provider or through the Indian Health Service.

To claim either of these coverage exemptions, 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.

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.

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. 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 monthly premium is the same for the whole year, enter the annual premium in the space for each month. If the premiums cover only part of the year, use the Annualized Premium Worksheet to determine what the annualized premium would be for each month. Once you have figured the annualized premium, enter it in the space 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:

- 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.

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.

CAUTION *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. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 though 10 and enter -0- on line 11.	
7.	Multiply line 6 by 100 and round to the nearest whole number. Enter the applicable figure for the result 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 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	
13.	Is the individual eligible for this coverage for every month of the year?	
	☐ **Yes.** Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the Affordability Worksheet	
	☐ **No.** Use the Annualized Premium Worksheet to determine what the annualized premium would be for each month the individual was eligible for the coverage being tested. Enter the annualized premium in the space for the appropriate months 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.

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.

TIP *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.*

Aggregate self-only coverage considered unaffordable (code "G"). You and any other members of your tax household for whom you claim a personal exemption deduction can claim a coverage 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—two offers of self-only coverage that together are unaffordable. 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 but is not offered family coverage. Sally and Justin both may claim the coverage 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 coverage exemption for two or more members of a tax household whose combined cost of employer-sponsored coverage is considered unaffordable, because the family coverage offered by Justin's employer covers both Justin and Sally and its cost does not exceed 8% of the household income.

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 coverage 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.

Gap in coverage at the beginning of 2014 (code "G"). If you or another member of your tax household enrolled in coverage through the Marketplace and your coverage started on or before May 1, 2014, you can claim a coverage exemption for any month(s) prior to May 2014 that you (or another member of your tax household) did not have coverage.

In addition, if you or another member of your tax household enrolled in minimum essential coverage that started on or before May 1, 2014, from a source other than the Marketplace, you can claim a coverage exemption for that individual for any month(s) prior to May 2014 that you (or another member of your tax household) did not have coverage.

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. You can claim this exemption for any month prior to the effective date of the coverage.

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 coverage exemption for those months.*

Gap in CHIP coverage (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.

Resident of a state that did not expand Medicaid (code "G"). You can claim a coverage exemption for yourself or another member of your tax household for 2014 if:

- Your household income is less than 138% of the federal poverty line for the number of individuals in your tax household, not including any dependents you did not claim; and
- At any time in 2014 the individual resided in Alabama, Alaska, Florida, Georgia, Idaho, Indiana, Kansas, Louisiana, Maine, Missouri, Mississippi, Montana, North Carolina, Nebraska, New Hampshire, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Wyoming, or Wisconsin.

For purposes of this exemption, your household income is increased by the amount of any social security benefits that you received that were not included in your gross income. To see if your household income is less than 138% of the federal poverty line for the number of individuals in your tax household, not including any dependents you did not claim, see the instructions for Form 8962, line 4.

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

TIP *Qualifying individuals can claim this exemption on their tax returns without visiting the Marketplace. However, if you applied to the Marketplace for the similar coverage exemption for individuals who resided in a state that did not expand Medicaid, see the instructions for Part I, earlier, to claim the exemption.*

Limited benefit Medicaid or TRICARE programs that are not minimum essential coverage (code "H"). Government-sponsored programs that may provide only limited 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;
- Medicaid coverage only for emergency medical service;
- Coverage authorized under section 1115 of the Social Security Act;
- Medicaid for the medically needy, also known as Spend-down Medicaid or Share-of-cost Medicaid;
- 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 plan beginning in 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.

Form **8965**

Department of the Treasury
Internal Revenue Service

Health Coverage Exemptions

▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.

▶ **Information about Form 8965 and its separate instructions is at *www.irs.gov/form8965*.**

OMB No. 1545-0074

2014

Attachment Sequence No. **75**

Name as shown on return | Your social security number

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

Part I **Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			
6			

Part II **Coverage Exemptions for Your Household Claimed on Your Return:**

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . . ☐ Yes ☐ No

b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . ☐ Yes ☐ No

Part III **Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																
13																

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions.

Health Care Law: What's New for Individuals & Families

PUBLICATION 5187

TAX YEAR 2014

Affordable Care Act (ACA)

Get forms and other information faster and easier at:

IRS.gov (English)	IRS.gov/Chinese (中文)	IRS.gov/Russian (Русский)
IRS.gov/Spanish (Español)	IRS.gov/Korean (한국어)	IRS.gov/Vietnamese (TiếngViệt)

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Introduction

This publication covers some of the tax provisions of the Affordable Care Act (ACA). It provides information that explains how taxpayers satisfy the individual shared responsibility provision by enrolling in minimum essential coverage, qualifying for an exemption, or making a shared responsibility payment. It also provides information about the new premium tax credit. A glossary is included to help taxpayers understand new terms related to ACA.

What new forms may be used to prepare the return?

- Form 1095-A, *Health Insurance Marketplace Statement*
- Form 8962, *Premium Tax Credit, & Instructions*
- Form 8965, *Health Coverage Exemptions & Instructions*

Taxpayers, tax professionals, and volunteer preparers should consider preparing and filing tax returns electronically. Using tax preparation software is an easy way to file a complete and accurate tax return as it does the math and completes the appropriate forms based on information provided by the taxpayer. Visit IRS.gov for information about electronic filing options, including Free File.

What publications may be useful?

- Publication 17, *Your Federal Income Tax (For Individuals)*
- Publication 974, *Premium Tax Credit*
- Publication 5172 – Flyer, *Facts about Health Care Coverage Exemptions* (English; Spanish)
- Publication 5185 – Flyer, *Facts about making a shared responsibility payment*
- Publication 5152 – Flyer, *Premium Tax Credit – Report changes in circumstances* (English; Spanish)
- Publication 5156 – Flyer, *Facts about Individual Shared Responsibility provision* (English; Spanish)
- Publication 5120 – Flyer, *Facts about the Premium Tax Credit* (English; Spanish)
- Publication 5121 – Brochure, *Facts about the Premium Care* (English; Spanish)
- Publication 5093 – *Healthcare Law Online Resource*

The IRS resource page on IRS.gov/aca is routinely updated as new publications are issued.

Affordable Care Act Overview

What is the Affordable Care Act?

Under the Affordable Care Act, the federal government, state governments, insurers, employers, and individuals share responsibility for improving the quality and availability of health insurance coverage in the United States. The ACA reforms the existing health insurance market by prohibiting insurers from denying coverage or charging higher premiums because of an individual's preexisting conditions.

The ACA also creates the Health Insurance Marketplace, also known as the Marketplace or the Exchange. The Marketplace is where taxpayers find information about health insurance options, purchase qualified health plans and, if eligible, obtain help paying premiums and out-of-pocket costs. A new tax credit, the premium tax credit, is available only if the taxpayer purchased a qualified health plan through the Marketplace. This credit helps eligible taxpayers pay for coverage.

The ACA also includes the individual shared responsibility provision, which requires individuals to have qualifying health care coverage for each month of the year, qualify for a coverage exemption, or make a shared responsibility payment when filing their federal income tax returns. For purposes of ACA, qualifying health care coverage is also called minimum essential coverage. Most taxpayers already had minimum essential coverage prior to the start of the year and only had to maintain that coverage during the entire year. If taxpayers and their dependents had minimum essential coverage for each month of the year, the taxpayer will simply check a box indicating that coverage when filing the federal income tax return. No further action is required.

Some taxpayers are exempt from the coverage requirement of the individual shared responsibility provision and do not have to make a shared responsibility payment when filing a federal income tax return. Coverage exemptions are available for individuals specifically described as having a religious, economic, or other justification for not having minimum essential coverage. Taxpayers who qualify for an exemption will attach a Form 8965, *Health Coverage Exemptions*, to their federal income tax return to claim that exemption.

Taxpayers or any dependents who did not maintain minimum essential coverage for each month of their tax year and did not qualify for a coverage exemption must make an individual shared responsibility payment with their federal tax return.

Individual Shared Responsibility Provision

What is the individual shared responsibility provision?

For each month of the year, the individual shared responsibility provision calls for individuals to:

- Have qualifying health care coverage (also called minimum essential coverage), or
- Qualify for an exemption from coverage, or
- Make an individual shared responsibility payment when filing their federal income tax return

Individuals are treated as having minimum essential coverage for the month as long as the individuals are enrolled in and entitled to receive benefits under a plan or program identified as minimum essential coverage for at least one day during that month.

Who must have health care coverage?

In general, all U.S. taxpayers are subject to the individual shared responsibility provision. Under the provision, a taxpayer is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes. Thus, all children generally must have minimum essential coverage or qualify for a coverage exemption for each month in the year. Otherwise, the primary taxpayer(s) (e.g., parents) who can claim the child as a dependent for federal income tax purposes will generally owe an individual shared responsibility payment for the child.

Senior citizens must also have minimum essential coverage or qualify for a coverage exemption for each month in the year. Both Medicare Part A and Medicare Part C (also known as Medicare Advantage) are minimum essential coverage.

All U.S. citizens are subject to the individual shared responsibility provision, as are all non-U.S. citizens who are in the U.S. long enough during a calendar year to qualify as resident aliens for federal income tax purposes. Foreign nationals who live in the U.S. for a short enough period that they do not become resident aliens for tax purposes are exempt from the individual shared responsibility provision even though they may have to file a U.S. income tax return.

All bona fide residents of U.S. territories are treated as having minimum essential coverage and are not required to take any action to comply with the individual shared responsibility provision other than to indicate their status on their federal income tax returns.

What is minimum essential coverage?

Under the ACA, minimum essential coverage, is a health care plan or arrangement specifically identified in the law as minimum essential coverage, including:

- Specified government-sponsored programs (e.g., Medicare Part A, Medicare Advantage, most Medicaid programs, CHIP, most TRICARE programs, and comprehensive health care coverage of veterans)
- Employer-sponsored coverage under a group health plan (including self-insured plans)
- Individual market coverage (e.g., a qualified health plan purchased through the Marketplace or individual health coverage purchased directly from an insurance company)
- Grandfathered health plans (in general, certain plans that existed before the ACA and have not changed since the ACA was passed)
- Other plans or programs that the Department of Health and Human Services recognizes as minimum essential coverage for the purposes of the ACA

IRS.gov/aca has a chart that shows these and other types of coverage that qualify as minimum essential coverage and some that do not.

How will taxpayers report minimum essential coverage?

Taxpayers whose entire tax household had minimum essential coverage for each month of their tax year will indicate this on their federal income tax return by simply checking a box on their Form 1040, 1040A or 1040EZ. No further action is required.

Form 1040 Other Taxes section showing line 61 "full-year coverage" checked

Other Taxes				
57	Self-employment tax. Attach Schedule SE	57		
58	Unreported social security and Medicare tax from Form: a ☐ 4137 b ☐ 8919	58		
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59		
60a	Household employment taxes from Schedule H	60a		
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b		
61	Health care: individual responsibility (see instructions) Full-year coverage ☑	61		
62	Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ Instructions; enter code(s)	62		
63	Add lines 56 through 62. This is your **total tax** ▶	63		

If anyone in the taxpayer's household did not have minimum essential coverage for each month of the year, the taxpayer will claim a coverage exemption or calculate an individual shared responsibility payment.

What are the health coverage exemptions?

The following is a partial list of exemptions:

- **Unaffordable coverage –** The amount the taxpayer would have paid for the lowest cost employer-sponsored coverage available or for coverage through the Marketplace is more than eight percent of the taxpayer's household income for the year.
- **Short coverage gap –** The taxpayer went without coverage for less than three consecutive months during the year.
- **Household income below the return filing threshold –** The taxpayer's household income is below the taxpayer's minimum threshold for filing a tax return.
- **Certain noncitizens –** The taxpayer was neither a U.S. citizen, U.S. national, nor an alien lawfully present in the U.S.
- **Members of a health care sharing ministry –** The taxpayer was a member of a health care sharing ministry, which is a tax-exempt organization whose members share a common set of ethical or religious beliefs and have shared medical expenses in accordance with those beliefs continuously since at least December 31, 1999.
- **Members of Indian tribes –** The taxpayer was a member of a federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or is otherwise eligible for services through an Indian health care provider or the Indian Health Service.
- **Incarceration –** The taxpayer was in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.
- **Members of certain religious sects –** The taxpayer was a member of a religious sect that has been in existence since December 31, 1950, and is recognized by the Social Security Administration as conscientiously opposed to accepting any insurance benefits, including Medicare and social security.

There are also exemptions for certain hardships. In general, an event or condition that prevents an individual from obtaining minimum essential coverage, such as:

- The taxpayer is ineligible for Medicaid solely because the state in which the individual resides does not participate in the Medicaid expansion under the Affordable Care Act.

- The taxpayer purchased a qualified health plan through the Marketplace during the initial open enrollment period, but the coverage is not effective until April 1 or later.

See the **chart** on IRS.gov/aca for a complete list of exemptions, including a description of additional hardship circumstances and certain transition relief effective for 2014.

If taxpayers think they qualify for a coverage exemption, how do they obtain it?

How taxpayers receive a coverage exemption depends upon the type of exemption for which they are eligible. Some exemptions are granted only by the Marketplace, others are claimed only on a tax return, and some exemptions may be obtained from the Marketplace or claimed on a return.

Taxpayers whose gross income is below their applicable minimum threshold for filing a federal income tax return are exempt from the individual shared responsibility provision and are not required to file a federal income tax return to claim the coverage exemption. However, if the taxpayer files a return anyway (for example, to claim a refund), they can claim a coverage exemption with their return.

Taxpayers claim coverage exemptions on **Form 8965, *Health Coverage Exemptions,*** and attach it to Form 1040, Form 1040A and Form 1040EZ. These forms can be filed electronically. Taxpayers should visit IRS.gov for additional **filing options, including Free File.**

How will taxpayers report health care coverage exemptions obtained from the Marketplace?

Requests for exemptions that can be granted only by the Marketplace should be submitted as soon as possible, so that taxpayers can properly report the exemption on their federal income tax return.

Taxpayers who are granted a coverage exemption from the Marketplace will receive an exemption certificate number (ECN) from the Marketplace and will enter their ECN in Part I (Marketplace-Granted Coverage Exemptions for Individuals) of Form 8965, Health Coverage Exemptions, column c.

How will taxpayers claim health care coverage exemptions with the IRS?

Taxpayers will use Part II (Coverage Exemptions for Your Household Claimed on Your Return) of Form 8965 to claim a coverage exemption with the IRS because of income below the filing threshold.

Other coverage exemptions may be claimed with the IRS using Part III (Coverage Exemptions for Individuals Claimed on Your Return) of Form 8965, Health Coverage Exemptions. Use a separate line for each individual and exemption type claimed on the return.

What is the individual shared responsibility payment?

If anyone in the taxpayer's tax household does not have minimum essential coverage, and does not qualify for a coverage exemption, the taxpayer will need to make an individual shared responsibility payment (SRP) when filing their federal income tax return.

Although the process to determine the individual shared responsibility payment is described in detail below, using tax preparation software is an easy way to determine the payment.

The annual SRP amount is the greater of a percentage of household income or a flat dollar amount, but is capped at the national average premium for a bronze level qualified health plan available through the Marketplace that would cover everyone in the tax household who does not have coverage and does not qualify for a coverage exemption.

Taxpayers owe 1/12th of the annual SRP for each month they or their dependent(s) do not have coverage and do not qualify for a coverage exemption.

For 2014, the annual SRP amount is the greater of

- 1 percent of the household income that is above the tax return filing threshold for the taxpayer's filing status, or
- The family's flat dollar amount, which is $95 per adult and $47.50 per child (under age 18), limited to a family maximum of $285.

The shared responsibility payment is capped at the national average premium for a bronze level qualified health plan available through the Marketplace in 2014 that would cover everyone in the tax household who does not have coverage and does not qualify for a coverage exemption.

Taxpayers must know their household income and applicable income tax return filing threshold to calculate the SRP amount owed. See the Filing Requirement Threshold **information** on IRS.gov/aca. Taxpayers should use the worksheets located in the Instructions to Form 8965, Health Coverage Exemptions, to figure the shared responsibility payment amount due.

In the examples below, assume that the applicable national average bronze plan premium exceeds the flat dollar and income percentage amounts. These examples are used only to represent the mechanics of calculating the individual shared responsibility payment and are not estimates of current or future health insurance premium costs. For information on the cost of bronze level plans, visit **HealthCare.gov.**

Example

Single individual with $40,000 income:

Jim, an unmarried adult with no dependents, did not have minimum essential coverage for any month during 2014 and does not qualify for a coverage exemption. For 2014, Jim's household income was $40,000 and his filing threshold is $10,150.

- To determine his payment using the income formula, subtract $10,150 (filing threshold) from $40,000 (2014 household income). The result is $29,850. One percent of $29,850 equals $298.50.
- Jim's flat dollar amount is $95.

Because $298.50 is greater than $95 (and is less than the national average premium for bronze level coverage for 2014), Jim's shared responsibility payment for 2014 is $298.50, or $24.87 for each month he is uninsured (1/12 of $298.50 equals $24.87).

Jim will make his shared responsibility payment for the months he was uninsured when he files his 2014 income tax return.

Example

Married couple with 2 children, $70,000 income:

Eduardo and Julia are married and have two children under 18. They did not have minimum essential coverage for any family member for any month during 2014 and no one in the family qualifies for a coverage exemption. For 2014, their household income was $70,000 and their filing threshold is $20,300.

To determine their payment using the income formula, subtract $20,300 (filing threshold) from $70,000 (2014 household income). The result is $49,700. One percent of $49,700 equals $497.

Eduardo and Julia's flat dollar amount is $285, or $95 per adult and $47.50 per child.

Because $497 is greater than $285 (and is less than the national average premium for bronze level coverage for 2014), Eduardo and Julia's shared responsibility payment is $497 for 2014, or $41.41 per month for each month the family was uninsured (1/12 of $497 equals $41.41).

The percentages and flat dollar amounts increase over the first three years. In 2015, the income percentage increases to 2 percent of household income, and the flat dollar amount increases to $325 per adult and $162.50 per child under 18. In 2016, these figures increase to 2.5 percent of household income and $695 per adult ($347.50 per child under 18). After 2016, the flat dollar amounts may increase with inflation.

The IRS routinely works with taxpayers who owe amounts they cannot afford to pay. This sometimes includes enforced collection action such as liens and levies. However, the law prohibits the IRS from using liens or levies to collect any individual shared responsibility payment. If taxpayers owe an individual shared responsibility payment, the IRS may offset that liability with any tax refund that may be due to them.

Premium Tax Credit and Advance Payments

Who can claim a premium tax credit?

Only taxpayers who purchased qualified health plan from a State-based or Federally-facilitated Health Insurance Marketplace (Marketplace) may be eligible for the premium tax credit. This is a new federal tax credit to help eligible taxpayers pay for health insurance premiums. When enrolling in a qualified health plan through the Marketplace, eligible taxpayers choose to have some or all of the benefit of the credit paid in advance to their insurance company as advance credit payments or wait to claim all of the benefit of the premium tax credit on their tax return. Taxpayers must file a tax return to claim the premium tax credit. Those who choose advance credit payments must file a tax return to reconcile their advance credit payments with their actual premium tax credit even if they have gross income that is below the income tax filing threshold.

In general, taxpayers are allowed a premium tax credit if they meet all of the following:

- The taxpayer, spouse (if filing a joint return), or dependents were enrolled at some time during the year in one or more qualified health plans offered through the Marketplace.
- One or more of the individuals listed above were not eligible for other minimum essential coverage during the months they were enrolled in the qualified health plan through the Marketplace.
- The taxpayer is an applicable taxpayer. A taxpayer is an applicable taxpayer if he or she meets the following three requirements:
  - The taxpayer's income is at least 100 percent but not more than 400 percent of the federal poverty line for the taxpayer's family size. (See the exception below for taxpayers with household income below 100 percent of the federal poverty line who are not citizens, but are lawfully present in the U.S. See the definition of "applicable taxpayer" in the glossary for another exception for taxpayers with household income below 100 percent of the federal poverty line for whom advance credit payments were made.)
  - If married, the taxpayer files a joint return with his or her spouse (unless the taxpayer is considered unmarried for Head of Household filing status, or meets the criteria in Notice 2014-23 or T.D. 9683, which allows certain victims of domestic abuse or spousal abandonment to claim the premium tax credit using the MFS filing status). See the glossary for more information about domestic abuse or spousal abandonment and the instructions for Form 8962, Premium Tax Credit, for more details about these exceptions.
  - The taxpayer cannot be claimed as a dependent by another person.

A taxpayer with household income below 100 percent of the federal poverty line can be an applicable taxpayer as long as the taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen, but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.

Federal Poverty Line (FPL)

The federal poverty line (FPL) is an income amount (adjusted for family size considered poverty level for the year. The U.S. Department of Health and Human Services (HHS) determines the federal poverty line amounts annually and publishes a table reflecting these amounts at the beginning of each calendar year. You can also find this information on the HHS website at **hhs.gov**. HHS provides three federal poverty lines:

- one for residents of the 48 contiguous states and D.C.,
- one for Alaska residents, and
- one for Hawaii residents.

For purposes of the premium tax credit, eligibility for a certain year is based on the most recently published set of poverty guidelines as of the first day of the annual open enrollment period. As a result, the premium tax credit for 2014 is based on the 2013 federal poverty lines that were available when the open enrollment period began on October 1, 2013.

What is household income and what are its limits?

A taxpayer's household income is the total of the taxpayer's modified adjusted gross income (MAGI), the taxpayer's spouse's MAGI if married filing a joint return, and the MAGI of all dependents required to file a federal income tax return.

> **Example:**
>
> David and Melinda are Married Filing Jointly taxpayers. They have one child, Philip, age 17, whom they claim as a dependent. Philip works part time and has a filing requirement. David and Melinda's household income calculation would include their MAGI, as well as Philip's MAGI.

MAGI, for the purpose of the premium tax credit, is the adjusted gross income on the federal income tax return plus any excluded foreign income, nontaxable social security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest. It does not include Supplemental Security Income (SSI).

In general, only taxpayers and families whose household income for the year is between 100 percent and 400 percent of the federal poverty line for their family size may be eligible for the premium tax credit. A taxpayer who meets these income requirements must also meet the other eligibility criteria.

For 2013, residents of one of the 48 contiguous states or Washington, D.C., the following illustrates when household income would be between 100 percent and 400 percent of the federal poverty line:

- $11,490 (100%) up to $45,960 (400%) for an individual
- $15,510 (100%) up to $62,040 (400%) for a family of two
- $23,550 (100%) up to $94,200 (400%) for a family of four

Are taxpayers allowed a premium tax credit for all enrolled family members?

A taxpayer is allowed a premium tax credit only for months that a member of the taxpayer's tax family is (1) enrolled in a qualified health plan offered through the Marketplace and (2) not eligible for minimum essential health coverage (other than individual market coverage). The taxpayer's tax family consists of the taxpayer, the taxpayer's spouse if filing jointly, and all other individuals for whom the taxpayer claims a personal exemption deduction. The family members who meet the above two requirements are the taxpayer's "coverage family."

Is a taxpayer allowed a premium tax credit for the coverage of a family member if the family member enrolls in employer coverage?

If an individual enrolls in an employer-sponsored plan, including retiree coverage, the individual is not a member of the coverage family for the months in which the individual is enrolled in the employer plan, even if the plan is unaffordable or fails to provide minimum value. That means that a premium tax credit is not allowed for this individual's coverage for the months the individual is enrolled in employer coverage. If only one spouse is enrolled in employer coverage that is not affordable and does not provide minimum value, the non-enrolled spouse may be eligible for a premium tax credit.

If the individual changed enrollment from Marketplace coverage to employer-sponsored coverage during the year, the individual is a member of the coverage family only for the months the individual is enrolled through the Marketplace and was not eligible for coverage under the employer-sponsored plan or other coverage (not counting individual market coverage), such as coverage through a government-sponsored plan. See the **minimum essential coverage chart** on irs.gov for more information on the types of coverage that qualify as minimum essential coverage. An individual is eligible for employer-sponsored coverage for any month the individual is enrolled in the employer coverage or could have enrolled in employer coverage that is affordable and provides minimum value.

Example:

Cedric is single and has no dependents. When enrolling through the Marketplace in November 2013, Cedric projected his 2014 household income to be $27,925. Cedric enrolled in a qualified health plan. The Marketplace determined the advance credit payments for which he was eligible, but Cedric decided to wait and take all of the benefit of the credit on his 2014 return.

In August 2014, Cedric began a new job and became eligible for employer-sponsored coverage on September 1st. Since Cedric became eligible for employer-sponsored coverage on September 1st, he may be able to claim a premium tax credit only for the months January through August of 2014.

Is a taxpayer allowed the premium tax credit for a family member's coverage if the family member is eligible for coverage through a government-sponsored program?

An individual eligible for coverage through a government-sponsored program such as Medicaid, Medicare, CHIP or TRICARE, is not a member of the coverage family for the months in which the individual is eligible for government-sponsored coverage. This includes taxpayers who lived in states that chose not to participate in the Medicaid expansion. A premium tax credit is not allowed for this individual's coverage for the months the individual is eligible for the government-sponsored coverage.

How does the taxpayer get the premium tax credit?

Only taxpayers who purchased qualified health plans from the Marketplace may be eligible for the premium tax credit. During enrollment, the Marketplace uses the taxpayer's projected income and family composition to estimate the amount of the premium tax credit a taxpayer would be able to claim.

If eligible for advance credit payments of the premium tax credit, taxpayers may choose to:

- Have some or all of the estimated credit paid in advance directly to the insurance company to lower what is paid out-of-pocket for monthly premiums; or
- Wait to get all the benefit of the credit when they file their tax return

The amount of advance credit payments will appear on Form 1095-A, *Health Insurance Marketplace Statement* issued by the Marketplace.

How is the amount of the premium tax credit determined?

The law bases the size of the premium tax credit on a sliding scale. A taxpayer with household income at 200 percent of the FPL for the taxpayer's family size gets a larger credit to help cover the cost of insurance than a taxpayer with the same family size who has household income at 300 percent of the FPL. In other words, the higher the household income, the lower the amount of the credit.

Although the process to determine the premium tax credit is described in detail below, using tax preparation software is an easy way to determine the credit.

The premium tax credit is the sum of the credit amount for each month. The credit amount for a month is the lesser of two amounts: (1) the monthly premium for the plan or plans in which the taxpayer's family enrolled (enrollment premium) and (2) the monthly premium for the taxpayer's applicable second lowest cost silver plan (SLCSP) minus the taxpayer's monthly contribution amount. This calculation is done on Form 8962, *Premium Tax Credit.* The applicable SLCSP premium will generally be determined by the Marketplace and included on Form 1095-A. *Health Insurance Marketplace Statement.* A taxpayer's contribution amount is the taxpayer's household income multiplied by the applicable figure (from the table in the instructions for Form 8962).

The monthly contribution amount is the contribution amount divided by 12. Taxpayers enrolled in the same qualified health plan for all 12 months of the year and who have the same applicable SLCSP for all 12 months can do a single, annual calculation to compute their premium tax credit, as in the below example.

Example

Ervin is single and has no dependents. He enrolled in a qualified health plan with an annual premium of $5,000. The applicable SLCSP premium as shown on his Form 1095-A is $5,200. Ervin's 2014 household income is $28,725, which is 250 percent of the FPL for a family size of one. His applicable figure is .0805, per the chart in the instructions for Form 8962. Consequently, Ervin's premium tax credit for 2014 is the lesser of $5,000, his enrollment premium, and $2,888, which is the SLCSP of $5,200 less contribution amount of $2,312 (household income of $28,725 x .0805).

Form **8962** — **Premium Tax Credit (PTC)** — OMB No. 1545-0074 — **2014** Attachment Sequence No. 73

Department of the Treasury, Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

Name shown on your return | Your social security number | Relief (see instructions) ☐

Part 1: Annual and Monthly Contribution Amount

1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d			1	1
2a	Modified AGI: Enter your modified AGI (see instructions)	2a	28725	b Enter total of your dependents' modified AGI (see instructions) 2b	
3	Household Income: Add the amounts on lines 2a and 2b			3	28725
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a ☐ Alaska b ☐ Hawaii c ☑ Other 48 states and DC			4	11490
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.)			5	250 %
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) ☑ Yes. Continue to line 7. ☐ No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.				
7	Applicable Figure: Using your line 5 percentage, locate your "applicable figure" on the table in the instructions			7	.0805
8a	Annual Contribution for Health Care: Multiply line 3 by line 7	8a	2312	b Monthly Contribution for Health Care: Divide line 8a by 12. Round to whole dollar amount 8b	

Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)
☐ Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage. ☑ No. Continue to line 10.

10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21–32, columns A and B?
☑ Yes. Continue to line 11. Compute your annual PTC. Skip lines 12–23 and continue to line 24. ☐ No. Continue to lines 12–23. Compute your monthly PTC and continue to line 24.

Annual Calculation	A. Premium Amount (Form(s) 1095-A, line 33A)	B. Annual Premium Amount of SLCSP (Form(s) 1095-A, line 33B)	C. Annual Contribution Amount (Line 8a)	D. Annual Maximum Premium Assistance (Subtract C from B)	E. Annual Premium Tax Credit Allowed (Smaller of A or D)	F. Annual Advance Payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals	5000	5200	2312	2888		

Monthly Calculation	A. Monthly Premium Amount (Form(s) 1095-A, lines 21–32, column A)	B. Monthly Premium Amount of SLCSP (Form(s) 1095-A, lines 21–32, column B)	C. Monthly Contribution Amount (Amount from line 8b or alternative marriage monthly contribution)	D. Monthly Maximum Premium Assistance (Subtract C from B)	E. Monthly Premium Tax Credit Allowed (Smaller of A or D)	F. Monthly Advance Payment of PTC (Form(s) 1095-A, lines 21–32, column C)
12 January						

Taxpayers who receive a Form 1095-A, *Health Insurance Marketplace Statement,* from the Marketplace showing changes in monthly amounts must do a monthly calculation to determine their premium tax credit in Section 2 of Form 8962, *Premium Tax Credit.* Taxpayers who have changes in monthly amounts not shown on Form 1095-A (for example, a taxpayer enrolled in a qualified health plan became eligible for employer coverage during the year, but did not notify the Marketplace) must also do a monthly calculation to determine their premium tax credit.

The premium tax credit is a refundable tax credit. If the amount of the credit is more than the amount of the tax liability on the return, taxpayers will receive the difference as a refund. If no tax is owed, taxpayers can get the full amount of the credit as a refund.

If taxpayers received the benefit of advance credit payments, they will reconcile the advance credit payments with the amount of the actual premium tax credit that is calculated on the tax return. If excess advance credit payments were made on their behalf, taxpayers will enter the excess advance credit payment amount on their return and repay the excess when they file their federal income tax return.

What happens if income or family size changed during the year?

A taxpayer's premium tax credit for the year typically will differ from the advance credit payment amount estimated by the Marketplace because the taxpayer's family size and household income are estimated at the time of enrollment. The more the actual family size or household income differs from the estimates the Marketplace used to compute the advance credit payments, the more significant the difference will be between the advance credit payments and the actual credit.

Taxpayers should notify the Marketplace about changes in circumstances when they happen, which allows the Marketplace to update the information used to determine the expected amount of the premium tax credit and adjust the advance credit payment amount. This adjustment decreases the likelihood of a significant difference between the advance credit payments and the actual premium tax credit. Changes in circumstances that can affect the amount of the actual premium tax credit include:

- Increases or decreases in household income
- Marriage
- Divorce
- Birth or adoption of a child
- Other changes in household composition
- Gaining or losing eligibility for government-sponsored or employer-sponsored health care coverage
- Change of address

What documentation will taxpayers receive?

By January 31 of the year following the year of coverage, the Marketplace will send taxpayers who purchased insurance through the Marketplace Form 1095-A, *Health Insurance Marketplace Statement.* The information statement includes the monthly premium for the applicable SLCSP used to compute the credit, the total monthly premium for the coverage of the taxpayer or family member, the amount of the advance credit payments, the SSN and names for all covered individuals, and all other required information. The Marketplace also reports this information to the IRS.

Taxpayers will use the information on Form 1095-A, *Health Insurance Marketplace Statement*, to compute the premium tax credit on their tax return and to reconcile the advance credit payments made on their behalf with the amount of the actual premium tax credit on Form 8962.

What do taxpayers do if they lost or never received their Form 1095A or if it is incorrect?

If Form 1095-A was lost, never received, or is incorrect, taxpayers should contact their Marketplace directly for a copy. Information regarding how to reach the Marketplace is available on HealthCare.gov as well as IRS.gov/aca. If taxpayers experience difficulty obtaining the Form 1095-A, *Health Insurance Marketplace Statement,* from their Marketplace, they should review the monthly billing statements provided by their health coverage provider or contact the provider directly to obtain the coverage information, monthly premium amount, and amount of monthly advance credit payments made on their behalf

How is the premium tax credit claimed on the tax return?

Only taxpayers who purchased qualified health plans from the Marketplace may be eligible for the premium tax credit. Eligible taxpayers claim the premium tax credit on their federal income tax return. Taxpayers who received the benefit of advance credit payments must file a federal income tax return even if they otherwise are not required to file.

On Form 8962, *Premium Tax Credit,* a taxpayer must subtract the advance credit payments for the year from the amount of the taxpayer's premium tax credit calculated on the tax return. If the premium tax credit computed on the return is more than the advance credit payments made on the taxpayer's behalf during the year, the difference will increase the refund or lower the amount of tax owed. This will be reported in the Payments section of Form 1040. If the advance credit payments are more than the premium tax credit (an excess advance credit payment), the difference will increase the amount owed and result in either a smaller refund or a balance due. This will be entered in the Tax and Credits section of the return. There may be a limitation on the amount of tax liability a taxpayer owes as a result of an excess advance credit payment. The limitation is based on the taxpayer's household income.

For taxpayers with household income below 400 percent of the FPL, the amount of tax liability due to excess advance credit payments is limited as provided in the repayment limitation table (see below).

Repayment Limitation Table

Household Income Percentage of Federal Poverty Line	Limitation Amount for Single	Limitation Amount for all other filing statuses
Less than 200%	$300	$600
At least 200%, but less than 300%	$750	$1,500
At least 300%, but less than 400%	$1,250	$2,500
400% or more	No limit	No limit

For taxpayers eligible to use the Married Filing Separately filing status, the repayment limitation above applies to the spouses separately based on the household income reported on each return.

Taxpayers who chose not to get advance credit payments during the tax year will get all of the benefit of their premium tax credit on their tax return. This will either increase their refund or lower the balance due.

Example:

Brandon Talbot is single, has no dependents and lives in Alabama. When he enrolled through the Marketplace, Brandon was approved for advance credit payments based on his projected 2014 household income of $39,095. The applicable figure for his household income is .095. Brandon enrolled in a qualified health plan. The applicable SLCSP is $5,200. Brandon's Form 1095-A shows advance credit payments of $1,486. Brandon's actual modified AGI for 2014 was $46,000, which is more than the FPL limit shown in Publication 4012, ACA tab (more than 400% of the FPL for a family of 1). Since Brandon's household income is above 400% of the FPL, he may not claim any premium tax credit, and must increase his tax liability by the amount of his advance credit payments. Brandon will complete Form 8962 and enter $1,486 on the excess advance premium tax credit repayment line on his tax return.

What about unusual situations?

For situations listed below, consult the instructions for Form 8962, *Premium Tax Credit.*

What if taxpayers have a shared policy purchased through the Marketplace?

If a taxpayer is enrolled in a policy with a person not in the taxpayer's tax family (a shared policy), the taxpayer may have to allocate the items on Form 1095-A, *Health Insurance Marketplace Statement.* (the enrollment premium, the premium for the applicable SLCSP, and the advance credit payments) with another taxpayer (a shared policy allocation). The following taxpayers may have to do a shared policy allocation:

- Taxpayers who got divorced or legally separated in during the tax year
- A taxpayer who claims a personal exemption deduction for an individual enrolled in a policy by another taxpayer
- A taxpayer who enrolls an individual in a policy, but another taxpayer claims a personal exemption deduction for the individual
- A taxpayer filing a separate return from his or her spouse

Taxpayers complete the shared policy allocation on Form 8962, *Premium Tax Credit*, Part 4.

What if taxpayers get married during the year?

If taxpayers got married during the tax year and one or both spouses received advance credit payments for the year, the spouses may be eligible to use an alternative calculation to determine their excess advance credit payments. See the instructions for Form 8962, *Premium Tax Credit,* for eligibility. If eligible, taxpayers will complete Form 8962, Part 5, Alternative Calculation of Year of Marriage.

U.S. Citizens Living Abroad

How does the Affordable Care Act affect U.S. citizens living abroad?

U.S. citizens living abroad are subject to the individual shared responsibility provision. However, U.S. citizens who are not physically present in the United States for at least 330 full days within a 12-month period are treated as having minimum essential coverage for that 12-month period regardless of whether they enroll in any health care coverage.

In addition, U.S. citizens who are bona fide residents of a foreign country (or countries) for an entire taxable year are treated as having minimum essential coverage for that year. In general, these individuals qualify for the foreign earned income exclusion under section 911.

Individuals may qualify for this rule even if they cannot use the section 911 exclusion for all of their foreign earned income because, for example, they are employees of the United States. Individuals that qualify for this rule need take no further action to comply with the individual shared responsibility provision during the months when they qualify. They will report their status with their federal income tax return on Form 8965.

Tip See Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for further information on the foreign earned income exclusion.

U.S. citizens who do not meet the physical presence or residency requirements must have minimum essential coverage, qualify for a coverage exemption, or make an individual shared responsibility payment when they file their federal income tax returns. Note that minimum essential coverage includes a group health plan provided by an overseas employer.

Summary

The Affordable Care Act addresses health insurance coverage and financial assistance options for individuals and families, including the premium tax credit. It also includes the individual shared responsibility provision and coverage exemptions from that provision.

The individual shared responsibility provision requires every U.S. taxpayer and their dependent(s) to:

- Have qualifying health care coverage, also called minimum essential coverage, or
- Qualify for an exemption from the responsibility to have minimum essential coverage, or
- Make an individual shared responsibility payment when filing their federal income tax return.

Taxpayers will report minimum essential coverage, report exemptions, or make any individual shared responsibility payment when filing their federal income tax return.

Taxpayers whose entire tax household had minimum essential coverage for each month of their tax year will indicate this on their federal income tax return by checking the box on their Form 1040, 1040A, or 1040EZ. No further action is required.

Taxpayers who did not maintain minimum essential coverage for each month of their tax year may claim a coverage exemption. Form 8965, Health Coverage Exemptions must be used to claim exemptions or report exemptions granted by the Marketplace.

Taxpayers who did not maintain minimum essential coverage for each month of their tax year, or qualify for an exemption from coverage will make a shared responsibility payment. Taxpayers should use the worksheets located in the instructions to Form 8965 to calculate the individual shared responsibility payment amount due. The shared responsibility payment amount due is reported on Form 1040, line 61 in the Other Taxes section, and on the corresponding lines on Form 1040A, and 1040EZ.

If a taxpayer or a member of the taxpayer's family enrolled in a qualified health plan through the Marketplace, the taxpayer must reconcile any advance credit payments with their actual premium tax credit on Form 8962, Premium Tax Credit. If excess advance credit payments were made on a taxpayer's behalf, the taxpayer will enter the excess advance credit payments on their tax return and repay the excess when they file their federal income tax return.

Taxpayers who purchased qualified health plans from the will receive Form 1095-A, *Statement of Insurance from the Marketplace*, which will contain the information necessary to complete Form 8962, *Premium Tax Credit.*

The net premium tax credit is claimed in the Payments section of the federal income tax return. Any excess advance credit payments are entered in the Tax and Credits section of the federal income tax return.

Glossary

Adopted children – If a child is adopted during the year, the child is included in the taxpayer's household only for the full months that follow the month in which the adoption occurs. Similarly, if the taxpayer places a child for adoption or foster care, the child is included in the tax household only, for the full months before the month in which the placement occurs.

Applicable taxpayer (for purpose of premium tax credit) – A taxpayer must be an applicable taxpayer to claim the premium tax credit (PTC). Generally, an applicable taxpayer is one who has household income of at least 100 percent but not more than 400 percent of the Federal poverty line (FPL) for the family size, and cannot be claimed as a dependent. If the taxpayer is married at the end of the year, the taxpayer must file a joint return to be an applicable taxpayer unless an exception is met.

A taxpayer with household income below 100 percent of the FPL is an applicable taxpayer if all of the following requirements are met:

- The taxpayer, the taxpayer's spouse or a dependent enrolled in a qualified heath plan through a Marketplace.
- The Marketplace estimated at the time of enrollment that the taxpayer's household income would be between 100 percent and 400 percent of the FPL for the taxpayer's family size.
- Advance credit payments were made for the coverage for one or more months during the year.
- The taxpayer otherwise qualifies as an applicable taxpayer.

A taxpayer with household income below 100 percent of the FPL can be an applicable taxpayer as long as the taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.

Coverage Family – All members of the taxpayer's family who are enrolled in a qualified health plan and are not eligible for minimum essential coverage (other than coverage in the individual market). (See below for the definition of the individual market.) The members of the coverage family may change from month to month. A taxpayer is allowed a premium tax credit only for health insurance purchased for members of the coverage family.

Dependents of more than one taxpayer – The tax household does not include someone that can, but is not, claimed 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.

Domestic abuse – Domestic abuse includes physical, psychological, sexual, or emotional abuse, including efforts to control, isolate, humiliate, and intimidate, or to undermine the victim's ability to reason independently. All the facts and circumstances are considered in determining whether an individual is abused. Abuse of the victim's child or any family member living in household may constitute abuse of the victim.

Exchange – See Marketplace.

Exemption Certificate Number (ECN) – The number the taxpayer received from the Marketplace for the individual listed in Part I (Marketplace-Granted Coverage Exemptions for Individuals) on Form 8965, *Health Coverage Exemptions,* column c.

Family – Taxpayer family includes all individuals and only those individuals for whom the taxpayer claims a personal exemption deduction on the tax return (taxpayer, spouse, or dependents).

Family coverage (for the purpose of determining if coverage is unaffordable in order to claim a coverage exemption) – If taxpayer (or spouse if filing jointly) is eligible for family coverage under an employer's plan, the

required contribution amount for any member of the family is the premium the taxpayer would pay for the lowest cost family coverage that would cover the taxpayer and everyone in the non-exempt family.

Family size – For the purposes of the premium tax credit, family size includes the individuals for whom the taxpayer can claim a personal exemption deduction on the tax return (taxpayer, spouse if filing a joint return, and dependents).

FPL - Federal Poverty Line – An income amount considered poverty level for the year, adjusted for family size. Department of Health and Human Services (HHS) determines the federal poverty guideline amounts annually. The government adjusts the income limits annually for inflation.

Form 1095-A, Health Insurance Marketplace Statement – Used to report certain information to the IRS about family members who enroll in a qualified health plan through the Marketplace. Form 1095-A, *Health Insurance Marketplace Statement*, also is furnished to individuals to allow them to claim the premium tax credit, to reconcile the credit on their returns with advance payments of the premium tax credit (advance credit payments), and to file an accurate tax return.

Form 1095-B, Health Coverage – Used to report certain information to the IRS and to taxpayers about individuals who are covered by minimum essential coverage and therefore are not liable for the individual shared responsibility payment. Form 1095-B is not required for 2014. Most taxpayers will not receive Form 1095-B for 2014.

Form 1095-C, Employer Provided Health Insurance Offer and Coverage – Employers with 50 or more full-time employees use this form to report information about offers of health coverage and enrollment in health coverage for their employees. Form 1095-C is used to report information about each employee. Form 1095-C is not required to be provided by any employer for 2014. However, in preparation for the first required filing (filing in 2016 for 2015), employers may, if they wish, voluntarily file in 2015 for 2014. Most taxpayers will not receive Form 1095-C for 2014

Health Insurance Marketplace – See Marketplace.

Household income – The sum of the taxpayer's modified adjusted gross income (MAGI), the spouse's MAGI (if Married Filing Jointly), and the MAGI of all dependents required to file a tax return.

Incarceration – The taxpayer can claim a coverage exemption for a member of the tax household for any month in which the individual was incarcerated for at least 1 day in the month. An individual is incarcerated if he or she was confined, after the disposition of charges, in a jail, or similar penal institution or correctional facility.

Individual Market – The insurance market that provides private, individual (non-group) health insurance coverage to individuals who purchase health insurance on their own. This includes Qualified Health Plans offered through the Marketplace. Each individual generally must pay the entire cost of the health insurance premium, but certain individuals may be eligible for insurance premium subsidies for coverage offered through the Marketplace.

MAGI – See Modified Adjusted Gross Income.

Marketplace (also: Exchange, Health Insurance Marketplace) – 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 a federally-facilitated Marketplace.

Married taxpayers (for purposes of the premium tax credit) – If a taxpayer is married at the end of 2014, the taxpayer generally must file a joint return with spouse in order to claim the premium tax credit unless the taxpayer meets one of the two exceptions below:

- Exception 1 (Head of Household filing status). If taxpayer was not divorced or legally separated at the end of the year, he or she is considered unmarried if all of the following apply:
  - The taxpayer lived apart from spouse for the last 6 months of the year. (Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.)

- The taxpayer filed a separate return from spouse.
- The taxpayer paid over half the cost of keeping up his or her home for the year.
- The taxpayer home was the main home of the taxpayer's child, stepchild, or foster child for more than half of the year. (Temporary absences for special circumstances, such as for school, vacation, medical care, military service, and detention in a juvenile facility, count as time lived in home.)
- The taxpayer can claim the child as a dependent or could claim the child as a dependent except that the child's other parent can claim him or her under the rule for children of divorced or separated parents.

- Exception 2. If taxpayer is a victim of domestic abuse or abandonment and does not qualify to use Head of Household filing status, the taxpayer may claim a premium tax credit if he or she files a return as Married Filing Separately and meets the following:
  - The taxpayer is living apart from his or her spouse at the time the taxpayer filed the current year tax return.
  - The taxpayer is unable to file a joint return because he or she is a victim of domestic abuse or spousal abandonment.
  - The taxpayer certifies on the return that the taxpayer is a victim of domestic abuse or spousal abandonment.

Medicaid Expansion – The health care law provides states with additional federal funding to expand their Medicaid programs to cover adults under 65 who make up to 133 percent of the federal poverty level. Children (18 and under) are eligible up to that income level or higher in all states.

The U.S. Supreme Court ruled that the Medicaid expansion is voluntary with states. As a result, some states have not expanded their Medicaid programs. Many adults in those states with incomes below 100 percent of the federal poverty level fall into a gap. Their incomes are too high to get Medicaid under their state's current rules but their incomes are too low to qualify for the premium tax credit.

Minimum essential coverage (MEC) – Coverage under a government-sponsored program, an eligible employer-sponsored plan, a plan in the individual market, a grandfathered health plan, or other coverage recognized by the Department of Health and Human Services (HHS), in coordination with the Secretary of the Treasury, as minimum essential coverage.

Modified Adjusted Gross Income (MAGI) – For purposes of Form 8962, *Premium Tax Credit,* MAGI is a taxpayer's adjusted gross income plus certain income that is not subject to tax (foreign earned income, tax-exempt interest, and social security benefits not included in income).

Modified Adjusted Gross Income (MAGI) – For purposes of Form 8965, *Health Coverage Exemptions,* MAGI is a taxpayer's adjusted gross income plus certain income that is not subject to tax (foreign earned income and tax-exempt interest).

National Average Bronze Plan Premium (NABPP) – This figure is used in calculating the shared responsibility payment (SRP). A table of NABPP amounts can be found in the Instructions for Form 8965, *Health Coverage Exemptions*, and in Publication 4012, ACA tab.

Premium tax credit – A tax credit for certain people who enroll in a qualified health plan offered through the Marketplace (Exchange). The credit reduces the amount of tax the taxpayer owes. It may also give the taxpayer a refund or increase the refund.

If applicable, the taxpayer is allowed a credit amount for any month during the year that the taxpayer or one or more of the family members [spouse or dependent(s)] were:

- Enrolled in one or more qualified health plans through a Marketplace;
- Not eligible for other minimum essential coverage.

Qualified Health Plan – A health plan certified by the Department of Health and Human Services to be offered through the Marketplace. Qualified health plans offered through the Marketplace must be one of four tiers, or "metal levels" – bronze, silver, gold, or platinum. Individuals and families can choose from a variety of qualified health plans, as well as catastrophic plans for young adults and those without affordable options.

Recognized religious sect – For purposes of Form 8965, a religious sect that has been 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.

Relief – A taxpayer can certify an exemption from Married Filing Jointly by checking a box on Form 8962, Premium Tax Credit.

Required Contribution – the amount an individual would be required to pay toward minimum essential coverage.

If an individual is eligible to purchase minimum essential coverage through an employer (other than through the Marketplace), the required contribution is the portion of the annual premium that is paid by the individual for self-only coverage, or

For individuals not included above, the required contribution is the annual premium for the lowest cost bronze plan available in the individual market through the Marketplace in the state in which the individual resides, reduced by the amount of the premium tax credit for the taxable year.

Second Lowest Cost Silver Plan (SLCSP) – The second lowest cost silver plan offered through the Marketplace for the rating area in which the taxpayer resides. A taxpayer who enrolled in a qualified health plan through the Marketplace will receive Form 1095-A , *Health Insurance Marketplace Statement,* from the Marketplace which will include the SLCSP amount. This figure is used on Form 8962, *Premium Tax Credit,* to calculate the amount of the premium tax credit that the taxpayer is allowed.

Self-only coverage – (for the purpose of determining if coverage is unaffordable in order to claim a coverage exemption) – If a member of a tax household is eligible for self-only coverage under his or her employer's plan, the required contribution amount is the amount the individual would pay (whether through salary reduction or otherwise) for the lowest cost self-only coverage.

Shared responsibility payment (SRP) – If the taxpayer or any other member of the tax household did not have either minimum essential coverage or an exemption for any month during the tax year, the taxpayer must compute the shared responsibility payment.

Spousal abandonment – A taxpayer is a victim of spousal abandonment for a taxable year if, taking into account all facts and circumstances, the taxpayer is unable to locate his or her spouse after reasonable diligence.

Tax household– For purposes of Form 8965, *Health Coverage Exemptions,* 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.

Timing – For purposes of Form 8965, *Health Coverage Exemptions,* an individual has minimum essential coverage for a month if the individual is enrolled in and entitled to receive benefits under a plan or program identified as minimum essential coverage for at least one day during the month.

Unaffordable coverage – For purposes of Form 8965, *Health Coverage Exemptions,* coverage is unaffordable if the individual's required contribution (see definition above) is more than 8 percent of household income.