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

PUBLICATION
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TAX YEAR 2014

Affordable Care Act (ACA)

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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 Tax Credit* (**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.

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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.

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- 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** — Department of the Treasury, Internal Revenue Service

Premium Tax Credit (PTC)

▶ Attach to Form 1040, 1040A, or 1040NR.
▶ Information about Form 8962 and its separate instructions is at *www.irs.gov/form8962*.

OMB No. 1545-0074 — **2014** — Attachment Sequence No. **73**

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)

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 138 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.