

FAMILY TAX CREDITS



Paying for Health Care: Obamacare and Taxes FAQs for Advocates

The Affordable Care Act—the health care law sometimes called Obamacare—will make health coverage more affordable and easier to obtain for millions of American women and their families. As of October 1, individuals and families are able to enroll in new, affordable insurance, with coverage effective as early as January 1, 2014. Many people enrolling in health coverage through the health insurance marketplaces in their state will also be eligible for new sources of financial assistance to help them cover the cost of insurance. Although there are specific community assistance efforts to help eligible people enroll in health care, it is important for as many community service providers as possible to help spread the word about enrollment and the financial assistance that is available to help low- and moderate-income families afford health insurance. These frequently asked questions are designed to give you general information about available financial assistance, specifically the new **Premium Tax Credits**.

For more specifics on health insurance enrollment, check out the [National Women's Law Center's Toolkit for Advocates—What Women Need to Know about Enrollment](#).

1. How do people enroll in health insurance?

In order to have health insurance in 2014, people need to sign up through the health care marketplace. The open enrollment period runs from **October 1, 2013-March 31, 2014**. Special enrollment for those who are facing special circumstances—those who, for example, lose employer coverage, or add a family

member mid-year—is available year round. **You should direct potentially eligible individuals and families to www.healthcare.gov or (800) 318-2596.** The same application is used to determine whether a family is eligible for Medicaid, the Children's Health Insurance Program (CHIP), cost-sharing subsidies, or a premium tax credit to help them pay for health insurance.

2. What type of financial assistance is available?

Premium Tax Credits

Under the Affordable Care Act, a new health insurance **Premium Tax Credit** is available to help people buy insurance in the just-opened health insurance marketplaces (sometimes called exchanges). This **Premium Tax Credit** is **available as soon as individuals and families sign up** for health insurance, and helps pay the cost of their monthly health insurance premium. The tax credit is paid directly to their health insurer each month and the amount is based on their household income and family size (more specifics below). It's paid directly to the insurer each month to lower their premiums, so individuals and families don't have to wait until they file their taxes to get it. The individual or family is responsible for paying the amount not covered by the tax credit directly to the insurer each month.

Cost-sharing subsidies

People could also be eligible for **cost-sharing subsidies** to help cover the cost of out-of-pocket expenses like co-pays and deductibles—again, the amount of subsidy is based on their income and family size.¹

3. Who is eligible for financial assistance?

Premium Tax Credits

People with household incomes between 100% and 400% of the federal poverty line (between \$23,550 and \$94,200 for a family of four) are eligible for Premium Tax Credits to help them pay for health insurance purchased through the health insurance marketplace, as long as:

- They are not eligible for adequate and affordable healthcare—either through other government programs like Medicare or Medicaid, or an employer. (Whether health insurance is ‘adequate and affordable’ is determined by the health insurance marketplace, following regulations from the IRS and the Department of Treasury.)
- They are not enrolled in an employer-sponsored health insurance plan.
- They are a U.S. citizen or lawfully residing immigrant. (Legal immigrants who have resided in the U.S. for less than five years and have incomes below 100% of the federal poverty line can also qualify, since they are not eligible for Medicaid because of their immigration status.)

Cost-sharing Subsidies

People with incomes up to 250% of the federal poverty line (\$58,875 for a family of four) are also eligible for **cost-sharing subsidies** to help cover the cost of out-of-pocket expenses like co-pays and deductibles. For more information on **cost-sharing subsidies**, visit <http://www.healthcare.gov/will-i-qualify-to-save-on-out-of-pocket-costs/>.

4. What kind of health insurance plans can be purchased using the Premium Tax Credit?

Premium Tax Credits can be used to purchase any one of the four different types of health insurance plans offered through the healthcare marketplaces: bronze, silver, gold, or platinum. Bronze plans are generally the least expensive, but provide the least comprehensive coverage and require the most “cost-sharing”—out of pocket expenses like co-pays and deductibles. Platinum plans, on the other hand, usually have the highest monthly premium but provide the most comprehensive coverage and require the least cost-sharing.

The amount of the **Premium Tax Credit** is based on the silver benchmark plan (the second lowest cost silver plan available in your client’s marketplace). If a family chooses to purchase a gold or platinum plan instead, the amount of their tax credit would remain the same, and they would contribute more of their monthly income toward their insurance premium than the expected contribution outlined in the chart below. Alternatively, if the family chooses a bronze plan, their monthly contribution would be less than the expected contribution listed below.

5. How much financial assistance is available with a Premium Tax Credit?

The **Premium Tax Credit** is designed so that individuals and families spend no more than a certain percentage of their income on health insurance, using a sliding scale. Individuals and families with incomes up to 133% of the federal poverty level will be required to contribute no more than two percent of their income toward their monthly premiums, while families with incomes between 300-400% of the federal poverty level will be required to contribute no more than nine and a half percent of their income (see the chart below for details). The **Premium Tax Credit** is calculated to cover the difference between the actual cost of the health insurance plan (using the standard benchmark—the second lowest cost silver plan available) and the family’s contribution.

For example: John, Maria, and their five year old twins have a household income of \$31,322 (133% FPL). At this income level, the family will contribute no more than 2% of their annual income—or \$626.44—toward their health insurance premium. They opt to purchase the silver benchmark plan. The total annual premium for the benchmark health insurance plan in their area is \$11,000. Therefore their annual **Premium Tax Credit** is \$10,373.66 (\$11,000-their contribution of \$626.44), or \$864.47 a month. Every month, their insurer will be paid the \$864.47 **Premium Tax Credit** directly, and John and Maria will be responsible for paying the insurer the remaining \$52.20 a month.

6. How do people apply for the Premium Tax Credits?

When individuals and families sign up for health insurance through the health insurance marketplace by visiting www.healthcare.gov or calling (800) 318-2596, they will be prompted to provide information so

Health Insurance Premium Tax Credits for a Family of Four²

Income		Family Contribution	
Percentage of poverty line	Annual dollar amount (using 2013 figures)	Contribution as a percentage of income	Maximum Monthly Contribution
Up to 133% FPL	\$23,550-\$31,322	2% of income	\$39-\$52
133%-150% FPL	\$31,322-\$35,325	3-4% of income	\$78-\$118
150-200% FPL	\$35,325-\$47,100	4-6.3% of income	\$118-\$247
200-250% FPL	\$47,100-\$58,875	6.3-8.05% of income	\$247-\$395
250-300% FPL	\$58,875-\$70,650	8.1-9.5% of income	\$395-\$559
300-350% FPL	\$70,650-\$82,425	9.5% of income	\$559-\$652
350-400% FPL	\$82,425-\$94,200	9.5% of income	\$652-\$745

that the marketplace can determine whether they are eligible for Medicaid, CHIP, cost-sharing subsidies, or a **Premium Tax Credit**. Specifically, they will be required to provide information on their income, number of people in their household, and whether they have access to employer-sponsored health insurance.

7. If my client can't afford a tax preparer, is there other tax-filing help available?

There are many resources available for low- and moderate-income families who need help preparing their taxes, including the IRS-sponsored VITA or TCE programs (including the AARP-sponsored Tax-Aide program). Visit <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> and http://www.aarp.org/money/taxes/aarp_taxaide/ for more information. Additionally, the Free File Alliance partners with the IRS to help low- and moderate-income families file their taxes online for free. Visit them at <http://www.freefilealliance.org/>.

8. Is there anything else my client needs to do after enrolling in health insurance and receiving a Premium Tax Credit?

Premium Tax Credits paid directly to a family's insurer will be **based on their projected annual income and household size for 2014**. If there are changes to someone's income or household size throughout the year (such as through marriage, divorce, or the birth or adoption of a child), they should **report those changes** to the health insurance marketplace before it's time to

file their taxes so that an adjustment to their **Premium Tax Credit** can be made. If their actual income was less than their projection, they could receive a tax refund (or if they owe taxes, have the amount that they owe reduced)—but if their actual income was more than they thought it would be, they could end up paying back a portion of the **Premium Tax Credit** that was paid to their health insurer throughout the previous year. Your clients should also tell the marketplace if they begin receiving health insurance through their employer or become eligible for Medicaid or Medicare part-way through the year, to avoid paying back a portion of the **Premium Tax Credit**.

For more information:

Information about other tax benefits available to families with children is available on the National

Women's Law Center's website at www.nwlc.org/lowery-ourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, or by calling 1-800-TAX-1040 toll-free.

More information about health reform and the difference it makes for women and their families is available on the National Women's Law Center's website at <http://www.nwlc.org/resource/weve-got-you-covered-what-women-need-know-about-health-care-enrollment>.

More information on the health insurance premium tax credits and cost-sharing subsidies is available at <http://www.healthreformbeyondthebasics.org/>.

1 These cost-sharing subsidies are only available to individuals and families who purchase a silver plan. See Question 3 for details.

2 Center on Budget and Policy Priorities, Premium Tax Credits: Answers to Frequently Asked Questions, July 2013.