

# FAMILY TAX CREDITS

## TAX YEAR 2016



## OBAMACARE & TAXES: How Life Changes Can Impact Your Premium Tax Credit

### 1. What kind of life changes could potentially impact my Premium Tax Credit?

The amount of your Premium Tax Credit is based on both the number of people in your household and your household income. Events that change your household size or income can change the amount of your Premium Tax Credit. Some examples of these types of changes include:

- Giving birth
- Adopting a child
- Marriage
- Divorce
- A new job
- Loss of a job

If you have any of these changes or any other **change in household income or size** at any point during the year, you need to update the Marketplace with that information as soon as possible, so that your Premium Tax Credit can be adjusted.

If your income goes down or your household size goes up during the year, you may be eligible for an increase in your Premium Tax Credit. If your income goes up or your household size goes down, you should report it so that your Premium Tax Credit amount can be lowered, limiting how much you may owe back when you file your taxes.

Life changes may also affect your eligibility for the Premium Tax Credit. If you become eligible for other health insurance, you are likely no longer

eligible for the Premium Tax Credit. Eligibility for the Premium Tax Credit is based in part upon your ineligibility for other “minimum essential coverage”—including Medicare, Medicaid, or employer-sponsored health insurance that is considered adequate and affordable. For example, a new job may bring an offer of health insurance through your employer, making you ineligible for the Premium Tax Credit. If you become pregnant, you may become newly eligible for Medicaid during the pregnancy and postnatal period. So if at some point during the year, you receive an offer of health insurance through your employer, or you find out that you qualify for Medicaid or Medicare, you should update the Marketplace.

### 2. If I have a change in household size or household income, when and how do I let the Marketplace know?

You should contact the Marketplace as soon as possible when your income or household size changes—including both increases and decreases. This way, your Premium Tax Credit amount can be adjusted to match your actual circumstances, and you can avoid either having to repay some of the credit you received, or missing out on a larger Premium Tax Credit to help you pay for health insurance throughout the year.

You will also likely qualify for a special enrollment period to adjust other aspects of your health insurance (but act quickly, because you only have 60 days from the date your income or household size changed to adjust your plan).

Visit <https://www.healthcare.gov/how-do-i-report-life-changes-to-the-marketplace/> or call 1-800-318-2596 to report your changes to family status, employment, or income, and adjust your Premium Tax Credit today.

### **3. What should I expect when I file my tax return in 2017?**

If you received a Premium Tax Credit in 2016, you will report that on the tax return that you file in 2017. The health insurance Marketplace will send you a form with the amount of Premium Tax Credit you received during the year. The Marketplace will also provide information regarding your Premium Tax Credit to the IRS. When completing your tax return, you will use form 8962 to compare the total Premium Tax Credit you received to a final calculation based on your actual 2016 income (what you actually made) and household size.

How will this impact you? You could receive a tax refund (or if you owe taxes, have the amount that you owe reduced)—but you could end up paying back part of the Premium Tax Credit the Marketplace paid to your health insurer throughout 2016. This is why it is so important to update the Marketplace with any changes in income or household size that occur through the year—don't wait until tax time!

### **4. Do I have to do anything in particular when I file my tax return in 2017, if I received the Premium Tax Credit in 2016?**

You will need to fill out a form 8962 to send with your tax return (the IRS is writing it as we speak). The Marketplace will send you an information statement on the Premium Tax Credit you received in 2016 by January 31, 2017, which you will use to fill out your tax return and any related IRS forms.

In most cases, married couples who receive a Premium Tax Credit in 2016 are required to file a joint tax return, unless they are either legally separated OR meet very narrow requirements in order to file as Head of Household (lived apart from a spouse for the last 6 months of the year and paid half of the costs to maintain a household where a dependent child lives for over half the year). There is an exception for victims of domestic violence and spousal abandonment, when filing a joint return is impossible or dangerous.