

Premium Tax Credits/ ACA Subsidies

Tax Considerations Regarding Individual Health Insurance



Premium Tax Credits/Subsidies

The Affordable Care Act established subsidies (Premium Tax Credits or PTC) that eligible people with lower incomes can receive to help pay their monthly premiums for individual insurance from the healthcare marketplace. If you qualify for marketplace insurance and your income qualifies for subsidies, the government pays your insurance company for part or all of your premiums each month in advance of when your income taxes are due, and then reconciles these amounts on your federal income taxes later.



IRS Form 8962

You can choose to not take some or all of your subsidy amount in advance in order to get a larger tax refund later and/or not risk having to pay money back at tax time if your income has increased. However, most people don't choose this option since it makes it harder to afford your monthly insurance premium during the year. If you qualify for subsidies, the subsidies you are owed and the amount you actually received during the year are reconciled on IRS Form 8962 that you will file with your annual income taxes.



Form 1095-A

The marketplace where you get your insurance will send you a Form 1095-A each year showing the amount of advance premium tax credits you received to pay your premiums—so be on the lookout for this form and hang on to it so you can use it to fill out your Form 8962 with your federal income taxes to reconcile the amounts! (See IRS Publication 974 for more on PTC.)



Only Available in Marketplace

Subsidies are only available if you buy individual insurance through the federal or your state's insurance marketplace (go to www.healthcare.gov) and not directly from an insurance company—even if the insurance company offers the same health plans both inside and outside the marketplace. You can choose a bronze, silver, gold, or platinum health plan to use with your subsidy, but you can't use a subsidy with catastrophic plans. Be sure to inform the marketplace if your income decreases or increases during the year so the subsidy amount can be adjusted.

You can find more info and tips on these topics in our book ***Decoding Health Insurance and the Alternatives: Options, Issues, and Tips for Saving Money***, mainly in Chapter 5.

This is not to be taken as tax advice, so please consult an accountant, tax lawyer, or the IRS for questions, and details.

Decodinghealthcare.com

