


What the Affordable Care Act Means for You

The Affordable Care Act (ACA) has ushered in the most sweeping regulatory changes to the U.S. health care system since Medicare and Medicaid were passed about 50 years ago. It raises a full range of health care issues, and will continue to do so as provisions take effect through 2020. However, along with potentially increasing the affordability of health care insurance, the ACA also presents challenges and uncertainties.

What the Affordable Care Act Means for You highlights some of the most important ACA provisions that affect individuals. Your CPA can explain the law's full implications, and provide advice that will not only help you best meet your and your family's health care and financial needs, but also deliver peace of mind.

INDIVIDUAL COVERAGE REQUIREMENTS, EXEMPTIONS AND OPTIONS

The ACA requires that you and any dependents have qualifying health insurance coverage, also referred to as minimum essential coverage (MEC), in effect for each month of 2014. If you already have MEC through your employer, a government-sponsored program, a direct purchase from an insurance company or the Health Insurance Marketplace (the Marketplace), you need only to maintain it. However, if you are without MEC, you can purchase it in the Marketplace, which facilitates the purchase of health insurance in each state in accordance with the ACA.

You may be exempt from the ACA's coverage requirement if:

- Your minimum payment for annual premiums is more than 8% of your household income, or
- You are experiencing a hardship that prevents you from obtaining coverage, or
- You belong to a group specifically exempt from the coverage requirement.

You must take one of the following steps, which depends on your exemption category, for the exemption to apply:

- Claim the exemption when you file your 2014 federal tax return in 2015, or
- Submit an application to the Marketplace with the required documentation to obtain an exemption code to be reported on your tax return (applications and documentation requirements vary by exemption category).

Tip: The exemption code assigned by the Marketplace must be otained before the return is filed. Filing the exemption request early will help ensure the timely filing of your return.

WHAT IS THE HEALTH INSURANCE MARKETPLACE?

The Marketplace facilitates the purchase of health insurance in each state in accordance with the ACA. It provides government-regulated and standardized health care plans from which individuals, families and small businesses can compare health insurance plans based on costs, benefits and other features, and enroll in coverage. Marketplace plans have four levels: Bronze, Silver, Gold and Platinum, each based on the average percentage that the plan pays toward health care services.

PENALTY FOR LACK OF MINIMUM COVERAGE

If you do not have qualifying coverage for yourself and any dependents, and do not qualify for an exemption, you will be required to make an Individual Shared Responsibility payment (sometimes referred to as a penalty), which is due when you file your annual income tax return. The 2014 payment is the greater of:

- 1% of your household income above your tax return-filing threshold, rising to 2% in 2015 and 2.5% in later years, or
- A flat-dollar amount, which is $95 per adult and $47.50 per child for any month without coverage or exemption, limited to a monthly maximum of $285.

Your maximum payment cannot exceed the cost of the national average premium for the Marketplace's Bronze-level health plan in 2014.

TAX RELIEF FOR SOME INDIVIDUALS

You or your non-dependent children may be eligible for the Premium Tax Credit, which can lower your out-of-pocket premiums, if you or they:

- Purchase insurance through the Marketplace,
- Are ineligible for employer or government-plan coverage,
- Are within specific low- or moderate-income limits (individuals with income below $45,960 and families of four or more with income below $94,200), and
- Cannot be claimed as a dependent by another person.

Filing a federal income tax return is also a requirement for the tax credit. You can have some or all of the estimated credit paid in advance to your insurance company to lower your monthly premiums, or wait to claim the credit when you file your return. If you have the credit paid in advance, the advance payment will be reconciled with the actual credit when you file. Any overpayment needs to be paid back to the IRS.

Tip: Promptly report any changes to your income or household size to the Marketplace. This can help establish the correct amount of advance payments, which will mitigate any credit repayment issues when you file your tax return.

CHANGES IN MEDICAL DEDUCTIONS, FSA CONTRIBUTIONS AND HSA DISTRIBUTIONS

- Taxpayers under 65 years old can only deduct unreimbursed medical/dental expenses that exceed 10% of adjusted gross income (remains 7.5% through 2016 if age 65 or older)
- Annual contributions to a health Flexible Spending Arrangement (FSA) limited to $2,500 (inflation adjusted) or the plan maximum, whichever is less
- 20% penalty, up from 10%, on Health Savings Account (HSA) funds applied to non-qualified medical expenses

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