

Health-Care Tax Update

February 23, 2015

Dear Tax Client:

While many people were focused on the frigid weather conditions of our most recent “Polar Vertex”, the White House released two very significant pieces of ACA-related news on Friday. Both will likely have a significant impact on the rest of your tax season.

So pay attention!

The first item was that at least 800,000 Americans who purchased health insurance from the federal Marketplace for 2014 received incorrect forms 1095-A. As you are aware this document provides financial information on the amount of advance Premium Tax Credit received by the taxpayer and related details on Marketplace health insurance. The forms miscalculated the amount of the “benchmark plan” (evidently inserting 2015 information rather than 2014) which in turn will cause the calculation of the credit to be incorrect (along with other problems).

Health & Human Services believes about 50,000 taxpayers with these forms have already filed their return. They are advising these people to wait for additional guidance from the Treasury Department. [But the expectation is that all these people will need to amend their returns.] For those who haven't filed their return they will be distributing updated forms in early March.

Along with the federal government, other Marketplaces may have problems as well. California has acknowledged that at least 100,000 taxpayers received incorrect forms. Of course one of the first questions to arise: is this the end of the story? Is it just 800,000 or perhaps are there more problems...like 1.2 million instead? And are the problems limited to the Benchmark Premium or are there other related issues?

More details will inevitably follow.

The second news item was that the White House will be extending the ability to enroll for Marketplace insurance from March 15- April 30 for a certain group of taxpayers. This special enrollment period is available only to those who learn of their penalty through the filing of a 2014 tax return. The taxpayer must certify that they were unaware of the requirements of the law in order to be eligible.

This impact of this is that some consumers who would have been forced to pay a fine for 2015 will now have a way to avoid this penalty. It will also likely mean that many taxpayers will continue to be confused about the requirements of the ACA with these ever-changing rules and deadlines.

Anecdotally I had heard lots of reports of erroneous ACA forms. So it's useful to have this information finally confirmed by the government. Of course practically that won't make the clean-up any easier.

Practically both of these changes should cause additional interest by consumers during the rest of the tax season. Recent polling data indicates that most taxpayers who will owe a fine have yet to file, and don't understand their obligations. I definitely recommend you train your staff on these changes, and prepare for more confused Americans walking in your doors.

-Jesse W Baker