

VERMONT LEGAL AID, INC.

OFFICE OF THE HEALTH CARE ADVOCATE

264 NORTH WINOOSKI AVE. - P.O. Box 1367

BURLINGTON, VERMONT 05402
(800) 917-7787 (VOICE AND TTY)

FAX (802) 863-7152
(802) 863-2316

OFFICES:

BURLINGTON
RUTLAND
ST. JOHNSBURY

OFFICES:

MONTPELIER
SPRINGFIELD

Reconciliation of Advance Premium Tax Credit Payments

Christine Speidel, Staff Attorney

Overview

The Premium Tax Credit (PTC) is a new federal tax credit for 2014. The PTC is designed to help individuals purchase health insurance through Exchanges such as Vermont Health Connect (VHC). People who had an individual insurance plan through VHC in 2014 may be eligible for a PTC on their 2014 federal tax return. People with other types of insurance are not eligible. People with insurance plans purchased by small businesses are not eligible.

PTC may be taken wholly or partially in advance. Advance payments of the PTC (APTC) reduce health insurance premiums during the year. When individuals applied to VHC for 2014 insurance plans, VHC estimated their 2014 PTC eligibility and authorized advance payments based on that estimate. Advance payments are made directly to insurance companies.

A taxpayer's actual PTC eligibility is calculated on their tax return. APTC paid in 2014 must be reconciled on a 2014 federal income tax return. This is the reconciliation process.

There are repayment caps for people with annual income below 400% of the FPL. These caps are based on the annual income shown on the tax return.

A new tax form will be sent shortly by all exchanges, giving individuals the information they need to claim a 2014 PTC or reconcile APTC. This is IRS Form 1095-A. The form must be mailed by January 31, but VHC is aiming for earlier in the week. The IRS receives a copy.

The IRS intends to match 1095-A data beginning in mid-February. This means that tax returns will be checked against 1095-A data as part of the IRS return processing operation.

Vermont state income tax returns are not impacted by the PTC or by VHC plans. Vermont premium assistance is not reconciled. There is no reconciliation of cost-sharing reductions.

Implications of Reconciliation and Health Care Advocate Concerns

- There are no exceptions to reconciliation. Everyone who received APTC must reconcile the advance payments and determine the actual PTC due.
- For some people, reconciliation will result in an IRS debt or a lower refund than the taxpayer expected. This could happen for many reasons, including VHC error, a change of circumstance (whether reported to VHC or not), or taxpayer error.
- The reason for a discrepancy between APTC and the actual credit due does not affect reconciliation. The law does not make exceptions for innocent mistakes or mistakes made by VHC. It may be possible to get IRS penalties waived in certain circumstances, but the underlying repayment obligation is set by law. (26 U.S.C. § 36B)
- Unprocessed changes in circumstances (CoCs) may impact the accuracy of Forms 1095-A.
- Errors on Form 1095-A could affect the amount of PTC. Taxpayers should delay filing their tax returns until Form 1095-A can be corrected, if possible. Taxpayers are subject to a refund freeze and IRS audit if they file a tax return that does not match the 1095-A.
- VHC is planning to continue processing CoCs until they are completed. VHC will issue corrected forms to anyone affected by a change after the original forms have been processed. People may be confused to receive a corrected form out of the blue.
- People who reported a change in circumstance will receive multiple copies of Form 1095-A.
- Unanticipated taxable income will affect PTC calculations. Examples include lottery winnings, cancelled debt, hardship distributions from a retirement plan, and many other circumstances. Some people will have to repay all APTC received, even if they did everything correctly when they enrolled with VHC.

Resources

- Vermont Law Help: www.vtlawhelp.org/health
- Vermont Health Connect: vermonthhealthconnect.gov
- IRS Affordable Care Act homepage: www.irs.gov/aca
- IRS Taxpayer Advocate: taxpayeradvocate.irs.gov/Individuals/Affordable-Care-Act
- VHC customer service: 855-899-9600 (TTY/TDD 888-834-7898)
 - Individuals with questions about Form 1095-A should call VHC
- [IRS Publication 5187](#): *Health Care Law: What's New for Individuals & Families*

For constituents with unresolved problems:

- VLA Office of the Health Care Advocate 800-917-7787
- VLA Low Income Taxpayer Project (for IRS debts or audits) 800-889-2047

| Examples of 2014 Repayment Limits for Premium Tax Credits | | | |
|--|---|--|---|
| SINGLE Taxpayer | | Married Couple with 2 Children | |
| Income Levels (Percent of Federal Poverty Line) | Will pay back no more than ... | Income Levels (Percent of Federal Poverty Line) | Will pay back no more than.... |
| Under \$22,980 (200%) | \$300 | Under \$47,100 (200%) | \$600 |
| At least \$22,980 (200%) but less than \$34,470 (300%) | \$750 | At least \$47,100 (200%) but less than \$70,650 (300%) | \$1,500 |
| At least \$34,470 (300%) but less than \$45,960 (400%) | \$1,250 | At least \$70,650 (300%) but less than \$94,200 (400%) | \$2,500 |
| \$45,960 (400%) and above | Full repayment | \$94,200 (400%) and above | Full repayment |