

FAMILY TAX CREDITS



Paying for Health Care: Obamacare and Taxes

The Affordable Care Act—the health care law sometimes called Obamacare—is making health coverage more affordable and easier to obtain for millions of American women and their families. In the first year alone, 8 million people signed up for health insurance through the Marketplace—and 85% of them received financial assistance to help cover the monthly cost. The 2015 “open enrollment period”—when anyone will be able to sign up for health insurance or to change their current plan—begins on November 15, 2014. Outside of open enrollment, people may qualify for special enrollment periods if they experience certain life events such as marriage, the birth or adoption of a child, or a job change.

Whether you're already signed up for health insurance through the Marketplace or thinking about signing up this year, we want to make sure you have all the information you need about the financial assistance that can help you cover the cost of insurance premiums, co-pays, and deductibles. These FAQs explain who is eligible for financial assistance, how much assistance is available, and how to apply.

Do you need more information about health care enrollment? Don't worry--[we've got you covered](#).

1. What type of financial assistance is available?

Under the Affordable Care Act, a **health insurance Premium Tax Credit** is available to help people pay for health insurance through the health insurance Marketplaces. This **Premium Tax Credit** is available

as soon as you sign up for health insurance, and helps pay for your monthly health insurance premium. The amount of the tax credit is based on your household income and family size (more specifics below). It's paid directly to the insurer each month to lower your premiums, so you don't have to wait until you file your taxes to get it.

You could also be eligible for **cost-sharing subsidies** to help cover the cost of out-of-pocket expenses like co-pays and deductibles—again, the amount of subsidy is based on your income and family size.¹

2. Am I eligible for financial assistance?

Premium Tax Credits

If your household income is between 100% and 400% of the federal poverty line (in 2014, between \$23,850 and \$95,400 for a family of four), you will be eligible for a **Premium Tax Credit** to help you pay for health insurance purchased through the health insurance Marketplace, as long as:

- You are not eligible for adequate and affordable healthcare—either through other government programs like Medicare or Medicaid, or an employer. (Whether health insurance is 'adequate and affordable' is determined by your health insurance Marketplace, following regulations from the IRS and the Department of Treasury.)
- You are not enrolled in an employer-sponsored health insurance plan.

¹ These cost-sharing subsidies are only available to individuals and families who purchase a silver plan. See Question 3 for details.

- You are a U.S. citizen or lawfully residing immigrant.²

Cost-sharing subsidies

People with incomes up to 250% of the federal poverty line (\$58,875 for a family of four) are also eligible for **cost-sharing subsidies** to help cover the cost of out-of-pocket expenses like co-pays and deductibles. For more information on cost-sharing subsidies, visit <https://www.healthcare.gov/will-i-qualify-to-save-on-out-of-pocket-costs/>.

3. What kind of health insurance plan can I buy with the Premium Tax Credit?

Premium Tax Credits

You can use your **Premium Tax Credit** to buy one of four different types of health insurance plans offered through the health insurance Marketplace: bronze, silver, gold, or platinum. Bronze plans are generally the least expensive, but provide the least comprehensive coverage and require the most “cost-sharing”—out of pocket expenses like co-pays and deductibles. Platinum plans, on the other hand, usually have the highest monthly premium but provide the most comprehensive coverage and require the least cost-sharing.

The amount of the **Premium Tax Credit** is based on the silver benchmark plan (the second lowest cost silver plan available in your Marketplace). If your family chooses to purchase a gold or platinum plan instead, the amount of your tax credit would remain the same, and you would contribute more of your monthly income toward your insurance premium than the expected contribution outlined in the chart below. Alternatively, if you choose to purchase a bronze plan, your monthly contribution would be less than the expected contribution listed below.

4. How much financial assistance is available with a Premium Tax Credit?

The **Premium Tax Credit** is designed so that individuals and families spend no more than a certain percentage of their income on health insurance. Families with incomes up to 133% of the federal poverty level will be required to contribute no more than two percent of their income toward their monthly premiums, while families with incomes between 300-400% of the federal poverty level will be required to contribute no more than nine and a half percent of their income (see the chart below for details). The **Premium Tax Credit** is calculated to cover the difference between the actual cost of the health insurance plan (using the standard benchmark—the second lowest cost silver plan available) and your contribution.

Health Insurance Premium Tax Credits for a Family of Four ³			
Income		Family Contribution	
Percentage of poverty line	Annual dollar amount (using 2014 figures)	Contribution as a percentage of income	Maximum Monthly Contribution
Up to 133% FPL	\$23,850-\$31,721	2% of income	\$40-\$53
133%-150% FPL	\$31,721-\$35,775	3-4% of income	\$79-\$119
150-200% FPL	\$35,775-\$47,700	4-6.3% of income	\$119-\$250
200-250% FPL	\$47,700-\$59,625	6.3-8.05% of income	\$250-\$400
250-300% FPL	\$59,625-\$71,550	8.1-9.5% of income	\$400-\$566
300-350% FPL	\$71,550-\$83,475	9.5% of income	\$566-\$661
350-400% FPL	\$83,475-\$95,400	9.5% of income	\$661-\$755

² There is no length of residence requirement for lawfully residing immigrants to claim Premium Tax Credits. In addition, although people with incomes below 100% percent of the federal poverty line are generally not eligible for Premium Tax Credits, lawfully residing immigrants with incomes below 100% of poverty who are ineligible for Medicaid in their state because they resided in the U.S. for less than five years can qualify for Premium Tax Credits.

³ Framework from Center on Budget and Policy Priorities, Premium Tax Credits: Answers to Frequently Asked Questions, July 2013.

For example: John, Maria, and their seven year old twins have a household income of \$47,700 (200% FPL) and want to purchase the silver benchmark health insurance plan. At this income level, the family will contribute no more than 6.3% of their annual income—or \$3,005—toward their health insurance premium. The total annual premium for the benchmark health insurance plan in their area is \$9,000. Therefore their annual **Premium Tax Credit** is worth \$5,995 (\$9,000-their contribution of \$3,005), or \$500 a month. Every month, their insurer will be paid the \$500 **Premium Tax Credit** directly, and John and Maria will be responsible for paying the insurer the remaining \$250 a month.

5. How do I apply for the Premium Tax Credits?

You can apply for the **Premium Tax Credit** when you sign up for health insurance through the Marketplace in your state. You will need to provide information about your family's income, the other people in your household, and whether your job offers you health insurance. Based on the information you provide, the Marketplace will determine your eligibility for **tax credits**, other cost-sharing subsidies, Medicaid, and the Children's Health Insurance Program (CHIP). Visit www.healthcare.gov or call (800) 318-2596 during open enrollment (November 15, 2014-February 15, 2015) to get started. (Or get started today, if you [qualify for a special enrollment period](#).)

6. I'm enrolled in a health insurance plan through the Marketplace—what do I need to do next?

Premium Tax Credits paid directly to your insurer are based on your **projected annual income** (how much you think you will make) and **household size for the coming calendar year**. For example, if you signed up for health insurance in January 2014, the Premium Tax Credit that is paid directly to your insurer to help you cover your insurance cost every month is based on what you thought your income and household size would be for all of 2014. If there are changes to your family's income or household size (such as through marriage, divorce, or the birth or adoption of a child) throughout the year, you should **report those changes**

to the health insurance Marketplace before it's time to file your taxes so that an adjustment to your **Premium Tax Credit** can be made. If your family's 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 family's income increases or your household size goes down, you should report it so that your **Premium Tax Credit** amount can be lowered, and you can avoid owing that money back when you file your taxes. You should also tell the Marketplace if you begin receiving health insurance through your employer or become eligible for Medicaid or Medicare part-way through the year to avoid paying back a portion of the **Premium Tax Credit**.

7. What happens when I file my taxes?

If you receive a **Premium Tax Credit** in 2014, you will report that on the tax return that you file in 2015. The health insurance Marketplace will give information regarding your **Premium Tax Credit** (including the level of coverage that you chose, the total premium amount, and the premium credit amount that was paid directly to the health insurer) to the IRS. Then the **projected 2014 income** (what you thought you would make) and **household size** that you provided when you signed up for health insurance will be reconciled with your **actual 2014 income** (what you actually made) and **household size**. If you actually made less than you thought you would, you could receive a tax refund (or if you owe taxes, have the amount that you owe reduced)—but if you made more than you thought you would, you could end up paying back a portion of the **Premium Tax Credit** that was paid to your health insurer throughout the previous year. This is why it is so important to update the Marketplace with any changes in income or household size that occur throughout the year—don't wait until tax time!

8. If I can't afford to get my taxes prepared, can I get any help filing my taxes?

There are many resources available for low- and moderate-income families who need help preparing their taxes, including the IRS-sponsored VITA or TCE programs (including the AARP-sponsored Tax-Aide program). Visit <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> and

http://www.aarp.org/money/taxes/aarp_taxaide/ for more information. Additionally, the Free File Alliance partners with the IRS to help low- and moderate-income families file their taxes online for free. Visit them at <http://www.freefilealliance.org/>.

For more information:

Information about other tax benefits available to families with children is available on the National Women's Law Center's website at www.nwlc.org/low-eryourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, or by calling 1-800-TAX-1040 toll-free.

More information about health reform and the difference it makes for women and their families is available on the National Women's Law Center's website at <http://www.nwlc.org/resource/weve-got-you-covered-what-women-need-know-about-health-care-enrollment>.

More information on the health insurance premium tax credits and cost-sharing subsidies is available at <http://www.healthreformbeyondthebasics.org/>.