

Affordable Care Act Tax Forms

January 30th, 2015

Q: All the new Obamacare regulations are in effect this year. I've gotten weird forms I've never seen before and am worried about my tax filing. What do I need to do?

A: The Affordable Care Act (ACA), also called Obamacare, made a lot of changes to the tax system. This last year, people saw the healthcare side of the bill, including the healthcare exchange marketplace, pricing rules and simplified plans. This year, the funding side of the act goes into effect.

This change in regulation might seem like it's happening somewhere far away from daily life. Most of the time, that's true. When it comes to tax time, though, the ACA will get up close and personal.

There are a variety of new tax forms people must use to comply with the regulations of the act. They might seem confusing, but they're no worse than any other tax form. Let's take a look at three steps you might need to take under the new rules.

1.) Check a box on your 1040

The "master sheet" of your return, where you list your gross income and deductions, is called the 1040. This year, there's a new line that asks you to certify you have health insurance. If you do, check that box. If you have insurance through your employer, or you've purchased private insurance, that's all you need to do. Keep a copy of a statement from the company just in case the IRS needs proof and move on to the rest of your taxes.

The IRS estimates that 75% of taxpayers will have to do no more than this. "For the vast majority of Americans, tax filing under the Affordable Care Act will be as simple as checking a box to show they had coverage all year," said Treasury Secretary Jacob Lew in a press statement. Line 61, where the check box is located, will be the only noticeable change to your tax form.

2.) Deal with new forms

Like many new government regulations, the ACA created several new forms to fill out. The most common of these is the 1095a, which provides proof of your coverage and how much of a credit you were advanced to cover the costs of your premiums.

People interested in claiming that credit will not be able to file a 1040-EZ, the simplified 1040 form used by people in straightforward tax situations. To claim the credit, they will have to fill out their return on the standard 1040 form, which is slightly longer. They will also need to fill out form 8962. This is also the form to use for reconciling the amount of tax credit advanced versus the amount due.

If you got a new job, got a raise or had another significant life event, you may have to pay back part of the subsidy on your insurance. If you had a child, lost your job or had your hours cut, you might be eligible for an additional credit. That same form, 8692, will help you figure out what your life changes mean for your taxes.

3.) Pay a penalty (or request an exemption)

The reason for the check box on the 1040 is to ensure compliance with the so-called individual mandate that requires everyone have health insurance. If a person didn't have health insurance in 2014, they can expect to pay a penalty this year. The penalty is calculated based upon how much their family earns above a certain level. Most tax experts predict the average penalty will be \$301 this year and could go as high as \$600 next year.

There are a few available exceptions to the individual mandate. Individuals who make less than the income filing threshold, for example, are not required to purchase insurance. You may also claim an exemption if the cost of the premium would exceed 8% of your household income, or if the gap in your coverage was less than 3 consecutive months. These exceptions are all certified through form 8965.

If you can't claim an exemption, it might be time to buckle down and get health insurance. The cost will continue to rise, and the longer you wait, the more you'll pay. You're also gambling that your health will hold. Insuring younger people without health problems is cheaper than insuring older people with health problems.

The IRS has devoted considerable resources to public outreach about the new changes. It is encouraging anyone who has questions about the new policy to visit its website, IRS.gov, and follow the link to the ACA help page. It's also included video tutorials showing how the new forms work and providing walk-throughs of the trickier parts.

Tax time can be confusing! If you're absolutely flummoxed by the new forms, it might be time to find an expert. MembersAlliance Credit Union is happy to recommend tax preparation professionals. Call, click or stop by MembersAlliance Credit Union today to see how easy taxes can be!

SOURCES:

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