

# STACKING BENJAMINS



EARN, SAVE, AND SPEND WITH A PLAN

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## The Affordable Care Act and Taxes: Last Minute Tips

*We're pleased that not only was Michael Stahl nice enough to appear on [Friday's podcast](#) explaining the Affordable Care Act, but he also agreed to help out on the blog with this topic. Thanks, Michael!*



Michael Stahl

We are down to the wire on tax filing season. One thing you may not have considered in the process: ***the requirement to report your health insurance coverage as part of the Affordable Care Act (ACA).***

Most Americans are required to have health insurance under the ACA; when it comes to filing your taxes, you will fall into one of two categories: those folks who had health insurance in 2014 and those who did not. Let's break down both:

### **If you DID obtain health insurance for 2014:**

Over 85% of Americans who bought individual health insurance through the ACA receive subsidies from the government that cover much of their monthly premium. If you are one of those individuals, there are a few additional forms you'll need to fill out to reconcile those subsidies.

Form 1095A indicates how much subsidy you received in 2014.

It's a form that comes from the state or government exchange, depending on where you live. ([Here's a sample of Form 1095A.](#))

Form 8962 indicates how much subsidy you really deserved based on the income you predicted and the income you received. Oftentimes circumstances change – you lose a job or have a baby, for instance – and, along with that, your income (and therefore your subsidy). You'll find a copy of this form here: [IRS.gov – Form 8962: Premium Tax Credit](#).

You will either receive a refund or owe money depending on how these two forms true up side by side. If you received a \$4,000 subsidy and only ended up qualifying for a \$3,800, for example, you will owe \$200 to the government. The opposite is true if you received a lower subsidy than what you actually qualified for. It echoes the same process that takes place when reconciling your taxes for the year.

If you purchased insurance through an agent such as those with [HealthMarkets](#), your agent can work with your tax preparer to make sure paperwork is filled out and filed properly.

You're good to go.

### **Now, if you DID NOT obtain health insurance for 2014:**

You are going to be hit with a tax penalty when you file your taxes: the greater of 1% of your income or \$95 per adult and \$47.50 per child in your family. The only way to avoid the tax penalty for 2014 is if you qualify for certain exemptions, for example:

- If you have income below the tax filing threshold, which is approximately \$10,000 per individual and \$20,000 per couple
- If you had a small gap in health insurance coverage

Work with your tax preparer to see if you qualify for these and other exemptions, and **get insured for 2015** – the tax penalties are increasing for 2015 to the greater of 2% of your income or \$325 per adult and \$162.50 per child in your family. You will end up paying the tax penalty and get nothing, versus paying for insurance and getting something.

So what are your options for obtaining health insurance? This breaks down into two categories as well:

### **If it's before April 30, 2015:**

The government is holding a special enrollment for folks who were uninsured, paid the tax penalty for 2014 but want to get insured for 2015. Work with an insurance agent to compare your options for

coverage, and do it soon: the absolute deadline for coverage – and, most importantly, subsidies – is April 30.

### **If it's May 1, 2015 or beyond:**

Your options are significantly fewer, but you can still get insurance. Call a health insurance agent (that is, not the federal government) and ask about short-term health insurance; it can be a viable option although, as the name denotes, it only covers you for 6- or 12-month durations. It will keep you covered until the next open enrollment period. Note, however, that there are some caveats to short-term health insurance:

- Because these are off-exchange plans, you are not eligible for subsidies that can lower the cost of insurance
- You will run into coverage barriers if you have a pre-existing condition
- You will still be subject to the tax penalty for not having enrolled in a qualified health plan within the designated time period

The upside: plans are more affordable than you might think – and less costly than if you become gravely sick while uninsured and go into serious debt or, worse, bankrupt. Don't risk it.

And mark your calendar for 2016 open enrollment; it takes place starting November 1, 2015 and runs through January 31, 2016.

*Agents cannot provide tax advice. Contact your tax or legal professional to discuss your individual circumstances regarding your taxes.*

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Want more Michael? Listen to his tips on [Friday's Stacking Benjamins Short Stack show](#).



ACA penalty

Affordable Care Act

health insurance

Obamacare

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tax penalty

Taxes