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Subject: Understanding Health Coverage, Exemptions, & Taxes

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Understanding Health Coverage, Exemptions, and Taxes

By now most people are aware that you will need to answer questions about your health coverage when filing your 2014 taxes. Depending on the type of coverage you do or do not have, the questions can be confusing. Read below to see how The Benefit Bank handles health coverage questions, particularly the various exemptions that could potentially save you money.

What are the different kinds of Health coverage TBB will ask about?

There are three kinds of coverage TBB will ask about at the very beginning of the Health Coverage and Premium Tax Credit section:

- **Employer Provided Coverage.** What is it? Health coverage provided to an employee by their employer for themselves (and their family if applicable).
- **Healthcare Marketplace Coverage.** What is it? Coverage that you would have purchased on your own at healthcare.gov (or with the help of a Marketplace Navigator) for yourself and/or your family. If you can't remember whether or not you signed up for Marketplace Coverage, and you recently received [Form 1095-A](#), you most definitely had Marketplace Coverage.
- **Government Provided Coverage.** What is it? Most likely this would be Medicaid or Medicare coverage.

Oh no! I didn't have Health Coverage in 2014. Will I have to pay a big fine?

It depends. There are many [exemptions](#) that individuals might qualify for that will reduce or eliminate paying a penalty (called the [Shared Responsibility Payment](#)). Again, reading carefully and paying attention to the options TBB presents you with is the surest way to minimize your penalty.

What are the legitimate exemptions I can claim on my tax return?

You can find the full list of exemptions that can be claimed on your tax return [here](#). A few that may be more common for TBB users are listed below.

- **Coverage is considered unaffordable.** The cost of the cheapest health plan or employer-provided insurance for self-only coverage is more than 8% of the household yearly income for the given tax year. TBB will calculate what 8% of your household yearly income is and tell you this amount on the page where it asks about this exemption.
- **Income below the return filing threshold.** If you are not required to file a tax return because your income is below the filing threshold, then you are eligible for an exemption for everyone on your tax return for the entire year. TBB will automatically assess this exemption for you based on the income that you entered. You can read more about this exemption and find out the filing threshold for your filing status [here](#).
- **Short coverage gap.** A less than three month gap in coverage during the year. TBB will automatically assess this exemption for you if you had a coverage gap of less than three months.
- **Gap in coverage at the beginning of 2014.** You had a qualified health plan for most of the year, but you had a coverage gap at the beginning of the year up to May 1. TBB will automatically assess this exemption for you if you had a coverage gap at the beginning of the year.
- **Resident of a state that did not expand Medicaid.** You were a resident of a state at any time in 2014 that did not expand Medicaid and your household income was below 138% of the federal poverty line for your family size. You can find out if your state expanded Medicaid in 2014 and read more information about this exemption [here](#).

DO NOT IGNORE THE EXEMPTIONS PAGE!

The most important thing to note for individuals who do not have insurance for some or all of the year is *DO NOT IGNORE THE EXEMPTIONS PAGE!* Even if you do not think you are eligible for an exemption, make sure to read all of the exemptions and help pops very carefully because you may find that one applies to you or someone else in your tax family.

Are there exemptions that I have to apply for **ONLY** through the Marketplace, and cannot claim solely on my tax return?

Yes, there are some exemptions that are **ONLY** granted through the Marketplace. This applies to the following exemptions:

- **Members of certain religious sects.** You are a member of a recognized religious sect, which is a religious sect that has been in existence since December 31, 1950, and is recognized by the Social Security Administration as conscientiously opposed to accepting any insurance benefits, including Medicare and social security. You may still be able to retroactively apply for this exemption for 2014. You can find the application [here](#).
- **General hardship.** You experienced circumstances that prevented you from obtaining coverage under a qualified health plan, also known as a hardship exemption. There are many hardship exemptions and a full list can be found [here](#). You may be still be able to retroactively apply for some of these exemptions for 2014. The application can be found at the link above as well.
- **Coverage considered unaffordable based on projected income.** You did not have access to affordable coverage based on your PROJECTED household income at the time of application. This means that when you applied or were looking for coverage during open enrollment for 2014, your only coverage options for self-only coverage were more than 8% of the income that you anticipated receiving for the upcoming year. In order to be eligible for this exemption, you must have applied for it during open enrollment for the 2014 tax year. You cannot retroactively apply for this exemption.

Important Note: *If you believe you qualify for one of the Marketplace-granted exemptions but you have not applied for one, you should apply now **before** you file your taxes!*

If you apply for an exemption and you need more time to file your taxes while you wait to hear if your exemption is granted, you should consider filing a tax extension.

*You can file an extension by filling out IRS Form 4868 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return by the tax due date, which is April 15, 2015. This will give you an automatic **6** month extension to **file** your taxes; it **does not** give you an extension to **pay** your taxes. It is a good idea to send any amount of payment that you can with Form 4868 if you believe you owe taxes.*

What's the best way to ensure I don't get confused by all this? Read Carefully!

The Benefit Bank programmers and researchers have worked hard to make this new, complicated tax policy as simple and easy to understand as possible. Reading all the page text and help pops carefully in the Health Coverage and Premium Tax Credit section is the best way to ensure a hassle-free experience.

What if I'm still confused or run into a difficult health coverage situation in TBB?

Contact the Help Desk (tbbhelp@thebenefitbank.org)! We know each individual situation is different, and complex tax returns can prove challenging. That's why the TBB Help Desk is in close, daily contact with our tax researchers and programmers. We review all challenging situations with these specialized staff members to make sure our tax program is working optimally for you.

Are there Health coverage situations that TBB does NOT support?

Unfortunately there are some. Here are the most common:

- One of your dependents or someone in your tax family other than you or your spouse (if filing a joint return) received [Form 1095-A: Health Insurance Marketplace Statement](#).
- If a filer received insurance through a parent's Marketplace plan, but is not being claimed as a dependent by that parent - *and the filer did NOT receive their own 1095-A* - they will not be able to use TBB. This situation requires using Part 4 of Form 8962 "Shared Policy Allocation", which we do not currently support.
- A taxpayer enrolls a child in a marketplace plan and that child is claimed as a dependent by another taxpayer also enrolled in a marketplace plan, or vice versa. This situation requires using Part 4 of Form 8962 "Shared Policy Allocation", which we do not currently support. *(However if the taxpayer is NOT enrolled in a marketplace plan, but his/her dependents*

- *are enrolled on another taxpayer's policy, then this person can still file using TBB.)*

REMINDER: February 15th is the deadline to enroll in a plan for 2015.

If you do not currently have health insurance through your employer or the government (e.g. Medicaid or Medicare), and you did not yet enroll in a plan through the Marketplace, go to <https://www.healthcare.gov/> now to sign up for a plan.

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