

Affordable (Health) Care Act Information
January 2015

Dear Client:

We are writing you regarding major legislation that will affect your 2014 income tax return.

As you are aware, the Affordable Health Care Act was passed in 2010 and has been implemented in stages since then, with the majority of the implementation in 2014 and thereafter. The Act mandates that, unless exempted, by March 31, 2014 certain taxpayers, including their spouse and dependents (if applicable) must have health insurance that meets the minimum essential coverage in order to avoid being charged a “Shared Responsibility Payment,” (SRP). As you may be aware, the Supreme Court has ruled that the SRP is really a “tax.” As such, the IRS is responsible for collecting it. Certain taxpayers may also be eligible for a premium tax credit.

Taxpayers who have health insurance through their employers, or are on Medicare, or retirees having health insurance through their retirement systems, or those who purchase health insurance on their own are generally deemed to have met the mandate, as they have the “minimum essential coverage” required (see attached list). However, it is still necessary to prove on your tax return that you do not owe the SRP. It is possible to owe a SRP if someone in the applicable household did not meet the “minimum essential coverage” requirements for all twelve months of the year.

The following new tax documents have been developed by the IRS, some of which you may receive and are needed to prepare your 2014 tax return, to determine if you owe the SRP. Also see the enclosed flowchart.

Form 1095-A, Health Insurance Marketplace Statement: If you purchased insurance through the marketplace.
Form 1095-B, Health Coverage: This statement will either come from your employer or an insurance carrier, most likely the latter. This form is used to report certain information to those who are not liable for the tax.
Form 1095-C, Employer Provided Health Insurance Offer and Coverage: If your employer employs 50 or more and is therefore subject to the mandate to provide health insurance. You may not receive this form for 2014, as the requirement to issue it was delayed a tax year, so it is optional.

The potential SRP calculation focuses on “household income,” which includes the income of anyone claimed as a dependent on your tax return. If they claim their own personal exemption, they need to comply with the law as well. If your child files his or her own tax return, please be sure to obtain a copy and provide it to us.

Health insurance for 2015 can be obtained via the internet by logging onto “healthcare.gov” or purchased through an insurance agent. Please contact us if you need a referral to an agent that we recommend. Open enrollment began November 15, 2014 and goes through February 15, 2015.

If you have chosen to go without health insurance and would like an estimate of the SRP, please contact our office. Note, the SRP increases dramatically from 2014 to 2016 and is indexed for inflation thereafter.

Since you are using a paid preparer for your taxes, it becomes our responsibility to prepare the calculation whether you owe the SRP or not, and if so, how much. Due to the complexity of the calculation and the additional time required, a separate fee may be identified on our invoice.

Very truly yours,

STEVEN E SENDER CPA, LTD