

Affordable Health Care Information

December 2016

Dear Valued Client,

I am writing to let you know of a major change that became effective January 1, 2016, **that may affect your 2016 tax return** (filed in 2017).

The Affordable Health Care Act (ACA), passed in 2010, mandates that certain taxpayers, including their spouse and **all dependents** (if applicable), must have health insurance coverage or be assessed a “penalty.” **Taxpayers on Medicare, or having health insurance through their employers, or retirees receiving health insurance through their retirement systems, or who purchase health insurance on their own are generally exempt from the penalty.**

By January 31, 2017 you may receive multiple copies of the three (3) Forms 1095 listed below, which are needed to prepare your 2016 tax return. They include:

1. Form 1095-B (or substitute) from your health insurance company, if applicable. This form reflects your health insurance premiums paid, months of coverage, and person(s) covered under your plan,
2. Form 1095-C (or substitute) from your employer, if health insurance coverage is provided. You may not receive this form if your employer has less than 50 full-time employees,
3. Form 1095-A (Health Insurance Marketplace Statement) is required if insurance was purchased through the Marketplace in 2016, and
4. **Copies of these forms your dependent may receive and copies of tax returns filed for all dependents claimed on your tax return (if applicable).** This information is needed to calculate the “Household Income” to figure if the “penalty” applies. Note: If your child files his/her own tax return on a tax software tax package (e.g., Turbo Tax), make sure a copy is retained.

The monthly tax calculation will be time-consuming, even more so when there is a change in your status, income, dependents, birth or death. The “penalty” has increased 138% over 2015 if a taxpayer fails to have health insurance coverage for 2016. The per person penalty for 2016 is \$695.

Health insurance can be obtained via the internet by logging onto “healthcare.gov” or purchased from an insurance agent. We would suggest that you contact your insurance agent to assist in obtaining health care coverage.

Congress has mandated that tax preparers are responsible for determining whether the “penalty” applies, with the IRS verifying the calculation.

Due to the complexity of the calculation, a separate fee may be incurred for figuring the health care “penalty” on your 2016 tax return (filed in 2017), if applicable.

We hope that this information is helpful to you.

STEVEN E. SENDER CPA, LTD.