

Taxes and the Affordable Care Act

General Information

Introduction

The Affordable Care Act (“ACA”) affects most people when they file their taxes.. Under the ACA, most U.S. citizens, U.S. nationals, and lawful immigrants must have basic medical coverage, called “Minimum Essential Coverage,” for themselves and their dependents. When you file your taxes, you must indicate on your tax return that you had Minimal Essential Coverage for the tax year. If you did not have such coverage, you must either show you are eligible for an exemption or pay a penalty (called the “Individual Shared Responsibility Payment”)

This year the President signed a new tax bill into law. It keeps the individual mandate (the requirement to have health insurance) in place, but repeals the tax penalty for not having a minimum level of health insurance for yourself and any dependents. **The penalty repeal does not take effect until you file your tax return in 2020 (for tax year 2019).**

When you file your tax return in 2018 (for tax year 2017), the law still requires you to:

- 1) provide proof of full year health coverage for yourself and your dependents; OR
- 2) claim a coverage exemption; OR
- 3) include a shared responsibility payment with your tax return.

If you do not do one of these things, the IRS will not accept your tax return.

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- ❖ Our publication [Health Care Reform – General Information](#) has more information about the Affordable Care Act.
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I had medical coverage during the tax year for myself and my dependents. Was it Minimum Essential Coverage?

The following types of coverage are considered Minimum Essential Coverage:

- Employer-sponsored coverage (including COBRA coverage and retiree coverage)
- Health insurance purchased in the individual market, including a Qualified Health Plan purchased from Healthplanfinder
- Medicare Part A coverage and Medicare Advantage plans
- Most Medicaid coverage (see exceptions below)
- Children’s Health Insurance Program (CHIP) coverage
- Certain types of veterans health coverage administered by the Veterans Administration (VA)
- Refugee Medical Assistance

Your health insurance provider should be able to tell you whether your plan is considered Minimum Essential Coverage. Coverage that provides limited benefits, such as catastrophic coverage, or coverage only for vision or dental care, is **not** considered Minimum Essential Coverage.

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- ❖ Our publication [Health Care Reform - Requirement to Get Health Coverage](#) has more information.
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I have Medicaid. Is that Minimum Essential Coverage?

It depends. Most Medicaid programs are considered Minimum Essential Coverage. The following programs provide limited coverage only and are **not** considered Minimum Essential Coverage:

- family planning services
- tuberculosis-related services
- Emergency Medicaid
- Pregnancy-related Medicaid
- Medically Needy Spenddown program

If you have one of these plans, you must either get more comprehensive coverage or qualify for an exemption to avoid paying a penalty.

I did not have Minimum Essential Coverage for myself or dependents during the tax year. Will I have to pay a penalty?

Yes, unless you are eligible for an exemption. Some common exemptions are:

- you had a hardship in trying to obtain coverage, such as unaffordability, homelessness, domestic violence, bankruptcy, unpaid medical expenses, or other life situations that kept you from being able to obtain health coverage
- you had income below the tax filing threshold
- you are not in a “lawfully present” immigration status

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- ❖ Our publication [Tax Issues for Immigrants under the Affordable Care Act](#) has more information.
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I did not have Minimum Essential Coverage during the tax year. I am not eligible for an exemption. How much is the penalty I will have to pay?

For the 2017 tax year, the penalty is either 2.5% of your total household income, or \$695 per uninsured adult and \$347.50 per uninsured child (up to a maximum of \$2,085)—whichever figure is *higher*.

I had Minimum Essential Coverage for most of the tax year. Will I have to pay a penalty?

Not if you and your dependents only had short gaps in coverage (less than three months) during the tax year.

I had Minimum Essential Coverage for myself and my dependents during the tax year. How do I show that on my taxes?

You must check the box on your tax return indicating that you had Minimum Essential Coverage. You do not need to include any documentation of your coverage when you file your return.

I got Advance Premium Tax Credit to help pay for my health coverage. Do I need to file a tax return?

Yes. If you got Advance Premium Tax Credit to help pay your health insurance premiums, you must file a tax return to “reconcile” the credit you received with the amount you were actually eligible for. You must also file a tax return if you did not get tax credit in advance but still want to apply for it (as a refund) at tax filing time.

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- ❖ Our publication [Taxes and the Affordable Care Act – Premium Tax Credit](#) has more information.
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Where do I go for more help?

This publication has general information only. You should see a qualified tax professional before filing your taxes. If you are low-income, you may be able to get free help from an IRS-approved VITA site. The IRS website has [information about VITA sites](#) at <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>, or call the IRS at 1-800-829-1040.

This publication provides general information concerning your rights and responsibilities. It is not intended as a substitute for specific legal advice.

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