

Marketplace Agent and Broker Office Hours: 2021 Tax Reconciliation

Centers for Medicare and Medicaid Services (CMS)
Center for Consumer Information and Insurance Oversight (CCIIO)

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The information provided in this presentation is intended only as a general, informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, and formal policy guidance that it is based upon. This presentation summarizes current policy and operations as of the date it was presented. Links to certain source documents have been provided for your reference. We encourage audience members to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information about the requirements that apply to them. The contents of this document do not have the force and effect of law and are not meant to bind the public in any way, unless specifically incorporated into a contract. This document is intended only to provide clarity to the public regarding existing requirements under the law.

This document generally is not intended for use in the State-based Marketplaces (SBMs) that do not use HealthCare.gov for eligibility and enrollment. Please review the guidance on our Agent and Broker Resources webpage (<http://go.cms.gov/CCIIOAB>) and Marketplace.CMS.gov to learn more.

Unless indicated otherwise, the general references to "Marketplace" in the presentation only include Federally-facilitated Marketplaces (FFMs) and State-based Marketplaces on the Federal Platform (SBM-FPs).

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Agents and Brokers have asked questions related to 2021 tax reconciliation issues their clients are facing. CCIIO has provided answers below based on publicly available IRS information.

Please remember, clients should seek tax filing advice from certified tax professionals.

Q: Can taxpayers qualify for the premium tax credit (PTC) if their income is over 400% FPL?

A: Yes, for 2021, a taxpayer can be eligible for a PTC even if their income is over 400% FPL.

See IRS Q7: <https://www.irs.gov/affordable-care-act/individuals-and-families/questions-and-answers-on-the-premium-tax-credit>

Q: If a taxpayer received APTC but ends the year with income under 100% FPL, will they need to repay their entire tax credit?

A: Consumers for whom the Marketplace estimated a household income of at least 100% of the federal poverty line at the time of enrollment and who received APTC can still claim the premium tax credit even if they end the year with household income less than 100% of the federal poverty line. Note this exception does not apply if the consumer, with intentional or reckless disregard for the facts, provided incorrect information to a Marketplace for the year of coverage.

- See [Instructions for Form 8962 \(2021\) | Internal Revenue Service \(irs.gov\)](#)

Q: Do taxpayers with incomes over 400% FPL automatically have to repay *all* advance payments of the premium tax credit (APTC) they received?

A: No. The American Rescue Plan removed the 400% FPL limit for APTC and PTC eligibility. Therefore, if a tax filer has income over 400% FPL at the time of tax filing, that fact alone is not a reason for the tax filer to be required to repay their APTC. However, there is no repayment limitation for these individuals if they are required to repay excess APTC for another reason, such as if they underestimated their household income on their Marketplace application, and their year-end income on their tax return is higher.

Here's an example to show this concept (not an actual calculation):

A consumer with income at 405% FPL enrolls in Marketplace coverage for 2021 and receives \$1,200 in APTC for the year. When filing their taxes, their actual income is higher at 420% FPL and their allowable PTC is \$800 for the year. This means they received excess APTC of \$400 for the year. Because there is no repayment limitation for an individual with income 400% FPL or above, the full \$400 will be subtracted from their refund or added to the amount they owe in taxes.

- See IRS Q5, Q7, Q27: <https://www.irs.gov/affordable-care-act/individuals-and-families/questions-and-answers-on-the-premium-tax-credit>

Q: How should taxpayers file and reconcile APTC if they or their spouse received (or were approved to receive) unemployment compensation in 2021?

A: Taxpayers and their tax preparers should carefully review Instructions to 2021 Form 8962 and reference Pub. 974. If they meet the requirements, they should check the box on line A, above Part I of Form 8962, and follow the instruction on Line 5 of Form 8962, which instructs a taxpayer in this situation to enter 133% FPL.

- See Pub. 974 <https://www.irs.gov/forms-pubs/about-publication-974>
- See IRS Q40-Q45: <https://www.irs.gov/affordable-care-act/individuals-and-families/questions-and-answers-on-the-premium-tax-credit>
- See Instructions for Form 8962 2021: <https://www.irs.gov/pub/irs-pdf/i8962.pdf>

- Questions and Answers on the Premium Tax Credit: <https://www.irs.gov/affordable-care-act/individuals-and-families/questions-and-answers-on-the-premium-tax-credit>
- About Form 8962: <https://www.irs.gov/forms-pubs/about-form-8962>
- IRS phone number: 1-866-682-7451, ext. 569