



Taxes, Exemptions, Reconciling Advance Payments of the Premium Tax Credit (APTC), and Failure to File and Reconcile (FTR)



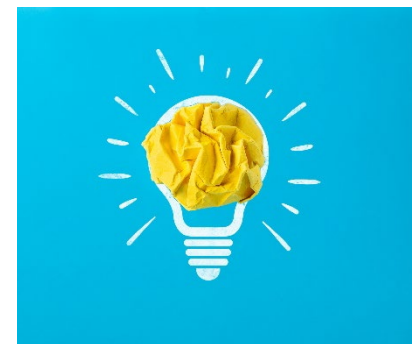
*Helping consumers understand
APTC reconciliation and the
consequences of failing to file a
federal income tax return and
reconcile APTC*

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Purpose

- This assister webinar provides background information, knowledge checks, and real-world consumer scenarios on the following topics:
 - I. Understanding Form 1095-A and tax filing
 - II. Exemptions
 - III. Reconciling advance payments of the premium tax credit (APTC)
 - IV. The impact of not filing federal income taxes and reconciling APTC on time (failure to file and reconcile, or FTR)
- For more information, assisters should refer to [SOP 12 — Reporting Minimum Essential Coverage and Reconciling Advance Payments of the Premium Tax Credit](#).



Consumers Use Form 1095-A to File Their Federal Tax Return

- Form 1095-A is a prepopulated tax form (like a W-2) that the Marketplace sends to consumers.
 - Form 1095-A will not be generated for Marketplace consumers who were enrolled in Catastrophic plans or dental-only coverage or received an exemption and did not enroll in QHP coverage.
- Form 1095-A provides consumers with information about their health coverage so they can:
 - File their federal income taxes.
 - Reconcile APTC.
 - Claim the premium tax credit (PTC).
- Consumers need the information on Form 1095-A to complete Form 8962.
- Consumers must complete Form 8962 and file it with their tax return if they want to claim the PTC or if they received premium assistance through APTC (consumers receiving APTC are required to file a tax return).

What Consumers Will Receive

- By January 31 of each year, the Federally-facilitated Marketplace (FFM) mails an envelope labeled “Important Tax or Health Coverage Information Inside”, which includes:
 - Cover letter
 - Available in either English or Spanish, depending on the user’s language preference
 - Form 1095-A instructions
 - Line-by-line instructions developed by IRS
 - Form 1095-A
 - A separate Form 1095-A will be generated for each qualified health plan insurance policy in which a member of the household enrolled.
 - Each member of a tax household who is on the same policy will be listed together on one Form 1095-A.
 - Households of more than five enrolled members will receive an additional Form 1095-A that is a continuation of the first Form 1095-A and lists additional family members.



What if Consumers Think Data Elements are Wrong on Their Form 1095-A?

- If consumers identify issues with the Form 1095-A they received from the FFM, they can call the Marketplace Call Center to request a correction. CMS will:
 - Research the issue to determine if a correction is necessary, and
 - Update the FFM to correct Form 1095-A, if necessary.
- Some data elements will not need to be updated for consumers to complete their federal income tax returns.
 - Changes to Social Security Number (SSN), name, and/or date of birth can be made online or with the assistance of the Call Center to change a consumer's current application.
- Corrected Form 1095-A from the FFM will be mailed and updated to consumers' My Account page on HealthCare.gov. The updated Form 1095-A will have the "corrected" check box marked, and CMS will also report the corrected information to the IRS.

Exemptions

- **For tax years 2019 and beyond**, consumers no longer need to report whether they had full-year health care coverage, qualify for an exemption, or make an individual shared responsibility payment. This is because the individual shared responsibility payment is \$0 for years after 2018.
- Consumers do not need an exemption unless they are age 30 or older and wish to purchase Catastrophic coverage. These consumers must apply for a hardship or affordability exemption through the Marketplace and obtain an exemption certificate number (ECN) to view and enroll in Catastrophic coverage.



APTC Reconciliation

- If Form 1095-A shows that APTC was paid on behalf of a consumer or a member of their family, the household's tax filer is required to complete [IRS Form 8962](#), *Premium Tax Credit*, to reconcile those advance payments.
- IRS announced a suspension of the requirement to repay excess APTC for 2020 tax filing on April 9, 2021, in line with repayment provisions in the American Rescue Plan Act.
- Tax filers with excess APTC for 2020 are not required to file IRS Form 8962, *Premium Tax Credit*, or report any excess APTC repayment on their 2020 tax return when they file.
- The filing and reconciling process for tax filers with net PTC remains unchanged; these tax filers must file Form 8962 when they file their 2020 federal income tax return.
- More information on this announcement can be found on IRS.gov at irs.gov/newsroom/irs-suspends-requirement-to-repay-excess-advance-payments-of-the-2020-premium-tax-credit-those-claiming-net-premium-tax-credit-must-file-form-8962.

What Does it Mean to “Reconcile”?

- If a consumer had a Marketplace plan and used APTC to lower their monthly payment, they (or their tax filer) will have to “reconcile” when they file their federal income taxes.
- This means they’ll include IRS Form 8962 when they file their federal income taxes.
- The reconciling process compares two figures:
 - The amount of PTC the consumer used in advance during the year (e.g., APTC). This was paid directly to their health insurance issuer to lower the consumer’s monthly premium payment and is based on the consumer’s projected income that they entered on their Marketplace application.
 - The amount of PTC the consumer qualifies for based on their actual income for the year.
- Any difference between the two figures will affect a tax filer’s federal income tax refund or tax owed.



Consequences of Not Reconciling APTC

- If APTC is paid on behalf of a tax filer or someone in their household, and the tax filer does not file a federal income tax return and reconcile that APTC with IRS Form 8962, they and their tax household **will typically not be eligible** for APTC or cost-sharing reductions (CSRs) to help pay for their Marketplace coverage in future years.
- This means that they will be responsible for the full cost of their monthly premiums and health care costs until they file and reconcile past APTC.
- Form 1095-A, received from the Marketplace, provides information tax filers need when completing IRS Form 8962.
 - If consumers have questions about the information on Form 1095-A or about receiving Form 1095-A, they should contact the Marketplace directly. More information on what types of tax season questions should be directed to the Marketplace or the IRS are in the following slides.

Role of Assisters During Tax Season

- Relating to Form 1095-A and the tax filing season, Navigators and certified application counselors (CACs) should:
 - Help consumers understand what Form 1095-A is and what it means for the consumer as they prepare their taxes.
 - Help consumers understand the timing for receiving Form 1095-A, what to look for in the mail, and that it is an important tax document.
 - Explain how to access Form 1095-A in their online account.
 - Help consumers understand how Form 1095-A relates to Form 8962 (tell consumers to wait for Form 1095-A to file taxes).
 - Explain how to review Form 1095-A for accuracy.
 - Ensure consumers are aware of the potential implications of not providing the information on their taxes.
 - Help consumers understand how to reconcile their APTC and claim PTC.
- Navigators and CACs may not provide assistance with filing taxes as part of their role as Navigators or CACs.
 - Navigators or CACs who are licensed tax advisers or preparers may continue to provide such services outside their role as Navigators or CACs.

Consumer Questions that Should be Directed to the Marketplace

- Why did I receive this Form 1095-A?
- I never received Form 1095-A. How can I get the form or the information I need?
- Where can I find Form 1095-A in my online account?
- How do I get another copy of my Form 1095-A?
- What do I need to do with this Form 1095-A?
- What does this information on Form 1095-A mean?
- I heard there was a form I should have received from the Marketplace. Where do I get mine?
- I think my Form 1095-A may have gone to the wrong address. What should I do?
- Why did I get more than one Form 1095-A?
- This information does not look correct. How can I change it?
- I added a dependent, but they are not on my Form 1095-A. What should I do?



Consumer Questions that Should be Directed to the IRS



- Do I qualify for the PTC?
- Do I owe an individual shared responsibility payment?
- What are the requirements for the individual shared responsibility provision?
- How do I report health coverage on my income tax return?
- Will IRS verify that consumers had minimum essential coverage (MEC)?
- I received Form 1095-A. How should I report this on my federal income tax return?
- Can you help me complete my federal income tax return?
- How do I use Form 1095-A to fill out Form 8962?
- Can I get a copy of Form 8965 or 8962?
- I received a corrected Form 1095-A. Do I need to amend my federal income tax return?
- What happens if I don't file my federal income tax return?
- I can't file/can't pay my tax liabilities by April 15. What should I do?

FTR Guidance for the 2021 Coverage Year

- Consumers who have not yet filed a 2019 federal tax return and reconciled their 2019 APTC should file their federal income tax return and reconcile APTC **as soon as possible**.
- Due to the impact of coronavirus disease 2019 (COVID-19) on the 2019 tax filing season, some Exchange consumers may have filed a 2019 federal income tax return and reconciled their APTC, but due to a backlog of unprocessed returns, IRS data indicating these consumers filed and reconciled their previous APTC is not available to CMS yet.
- During Open Enrollment 2021, consumers who had filed their 2019 federal income taxes and reconciled APTC were encouraged to return to HealthCare.gov and attest to filing and reconciling APTC on their 2021 Marketplace application or confirm that they had already attested.
- Consumers who update their 2021 application during the plan year and filed and reconciled must remember to attest to filing and reconciling before submitting their application in order to keep their APTC eligibility.
- Consumers can attest by checking the box that says, “Yes, I reconciled premium tax credits for past years.” Attesting to filing and reconciling allows consumers to keep APTC eligibility, even if IRS data has not yet updated to reflect that the tax filer has filed and reconciled.

Recap: Failure to File and Reconcile (FTR)

- To avoid losing APTC and CSRs during Plan Year (PY) 2021, tax filers must file a 2019 federal income tax return and reconcile their APTC using Form 8962. Otherwise, IRS will return a response to the Marketplace when the Marketplace seeks income data that the tax filer has not filed and/or reconciled their APTC (referred to as an “FTR response”).
- IRS information available to the Marketplace may be outdated since IRS may need up to 12 weeks or more to process a federal income tax return once it’s filed. Because of this, consumers can attest on the application that the tax filer filed and reconciled, which allows consumers to be determined eligible for APTC, if otherwise eligible.

Did Ruthie reconcile premium tax credits on their tax return for any past years?

Optional. Check the box below if all of these apply to you:

- Ruthie got premium tax credits to help pay for Marketplace coverage.
- The tax filer(s) on Ruthie's application filed a federal income tax return for the same year Ruthie used tax credits. For example, in 2017 Ruthie got help paying for coverage and Ruthie also filed a tax return for that same year.
- The tax filer(s) submitted [IRS Form 8962](#) with the tax return.

[Learn more about reconciling premium tax credits](#)

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Yes, I reconciled premium tax credits for past years.

Recap: FTR During Open Enrollment

- Prior to Open Enrollment (OE), the Marketplace checks IRS data to determine if tax filers filed their federal income taxes and reconciled their APTC for the most recent tax year. For example, in September 2020, the Marketplace checked IRS data and initially flagged currently enrolled consumers as FTR prior to OE if IRS data showed they hadn't filed or reconciled for PY 2019. These consumers received warning notices to file and reconcile immediately or risk losing their APTC in January 2021.
- After the first IRS data check prior to OE, there are two ways the Marketplace checks *during* OE that tax filers complied with the requirement to file their federal income tax return and reconcile prior APTC received:
 1. Consumers return to the application during OE to indicate that their tax filer has filed and reconciled, if their tax filer had actually done so.
 - Example: After filing their 2019 federal income tax return and reconciling APTC, enrollees that returned to the Marketplace, created a PY 2021 application, and attested on the application that their tax filer had filed a tax return and reconciled APTC for all years when APTC was paid were able to receive APTC for PY 2021, if otherwise eligible.
 2. If enrollees don't return to the application and attest to filing and reconciling, the Marketplace typically rechecks IRS data again in December to determine if their tax filer filed and reconciled since September and re-enrolls with APTC any enrollees who no longer have an FTR status according to IRS.

Recap: FTR During Open Enrollment (Cont.)

- Typically, FTR enrollees who don't update their applications to attest and get automatically re-enrolled in PY 2021 coverage will have their APTC removed effective January 1.

Note: Due to the impact of COVID-19 on the 2019 tax filing season, some Exchange enrollees may have filed a 2019 federal income tax return and reconciled their APTC, but due to a backlog of unprocessed returns, IRS data indicating these consumers filed and reconciled their previous APTC was not available to CMS during OE 2021. As a result, CMS paused FTR actions for passively re-enrolling consumers in the Marketplace. This meant that after OE 2021, these consumers continued to receive their full APTC as of January 1, 2021.



FTR Recheck

- Typically, in the new year following OE, the Marketplace performs a recheck of IRS data to verify that those who attested to filing and reconciling on their application during OE actually filed their federal income taxes and reconciled their APTC. This process is called “FTR Recheck”.
 - Example: Early in 2021, the Marketplace would typically check the filing status of consumers who are enrolled in a PY 2021 Marketplace plan with APTC and for whom IRS data show they received APTC in 2019, but their filers have not filed a 2019 federal income tax return and reconciled APTC.
- The Marketplace then sends warning notices to the affected households urging the tax filers to file and reconcile immediately and after a short time checks IRS data a final time and discontinues APTC for those households that are still FTR according to IRS data.

Recap: The General FTR Timeline

Month	Marketplace Action
September/October, Prior to OE	<ul style="list-style-type: none"> First check of IRS data to identify non-filers and/or non-reconcilers Send Marketplace Open Enrollment Notices (MOENs) explaining the consumer's risk for losing APTC for the upcoming plan year to enrollees who received APTC in the prior year and whose tax filer did not file a federal income tax return for that year and reconcile APTC Send additional notice to tax filers who have not filed a tax return for the prior year and reconciled APTC
December, End of OE	<ul style="list-style-type: none"> Second check of IRS data for those consumers who did not update their Marketplace application and were initially flagged as non-filers and/or non-reconcilers Re-enroll with APTC effective on January 1 those consumers who either: <ol style="list-style-type: none"> Attested to filing and/or reconciling on their application; or Were no longer FTR according to the latest IRS data check <ul style="list-style-type: none"> Consumers who don't meet these criteria and received APTC in the prior tax year are typically re-enrolled without APTC
Spring, following OE	<ul style="list-style-type: none"> Begin FTR Recheck to verify that consumers who attested to filing and reconciling during OE actually did so Mail FTR warning notices to consumers and/or tax filers who are enrolled in APTC and for whom IRS data show are still FTR
Late Summer/Fall, following OE	<ul style="list-style-type: none"> Final check of IRS data for the current plan year to confirm tax-filing and/or reconciliation status of consumers that attested to filing and reconciling during OE Discontinue APTC for those consumers whose tax filer still has not filed and/or reconciled according to IRS data and send a new EDN reflecting the household's ineligibility for APTC for the current plan year

Knowledge Check

Question: During FTR Recheck, for example in 2021, when verifying whether a tax filer has reconciled previous APTC to determine the consumer's eligibility for APTC during PY 2021, why does IRS return to the Marketplace data from 2019 rather than 2020?



Knowledge Check (Cont.)

Question: During the FTR Recheck, for example in 2021, when verifying whether a tax filer has reconciled previous APTC to determine the consumer's eligibility for APTC during PY 2021, why does IRS return to the Marketplace data from 2019 rather than 2020?

Answer: At the time FTR Recheck starts in the year, the most current tax return data on file with IRS is for tax year 2019 because 2020 tax returns aren't due until May of 2021.



Scenario 1: OE and FTR

- Lucy enrolled in Marketplace coverage with APTC in PY 2019 for the first time.
- The Marketplace automatically re-enrolled her in PY 2020 coverage with APTC.
- Lucy doesn't normally have to file federal income taxes, so she didn't realize that since she had APTC, she needed to file her 2019 federal income tax return with IRS Form 8962 by July 2020.
- She failed to file a 2019 federal income tax return and reconcile her PY 2019 APTC by July 15, 2020 (the revised tax filing deadline during COVID-19).
- Lucy received an FTR notice from the Marketplace in October 2020 warning her that she would be re-enrolled in PY 2021 coverage **without** APTC if she didn't file a 2019 federal income tax return and reconcile her PY 2019 APTC.
- She wants to know what she needs to do to keep APTC for PY 2021.



As an assister, how do you help Lucy?

Scenario 1: OE and FTR (Cont.)

- Explain to Lucy that even if she doesn't have to file a federal income tax return, because she had APTC paid on her behalf in 2019, she must do so for that year.
- Explain that she should immediately file her 2019 federal income tax return and reconcile her PY 2019 APTC using IRS Form 8962.
- Once she has filed and reconciled, instruct Lucy to update her PY 2021 Marketplace application, check the box that says "Yes, I reconciled premium tax credits for past years," and select a plan for PY 2021 before the close of OE.

Scenario 1: OE and FTR (Cont.)

- Remind Lucy that she must also file a 2020 federal income tax return and reconcile APTC she received in 2020 when she files her 2020 federal income tax returns (usually by April 2021).
- If she does not file and/or reconcile, she:
 - Will receive a MOEN and FTR warning notice in October 2021; and
 - May not receive APTC for PY 2022 if she fails to file and reconcile, even if otherwise eligible.



Scenario 2: Filed and Reconciled During OE, but Didn't Attest and Lost APTC (Appeals)



- Ellen enrolled in Marketplace coverage with APTC in PY 2019 for the first time.
- She filed a 2019 federal income tax return in November 2020, during OE.
- When she updated her PY 2021 application during OE, she did not attest to filing and reconciling for PY 2019, and due to time needed for the IRS to process returns, the Marketplace did not have updated data indicating she filed and reconciled.
- Ellen is re-enrolled her PY 2021 coverage without APTC.

As an assister, how do you help Ellen?

Scenario 2: Filed and Reconciled During OE, but Didn't Attest and Lost APTC (Appeals) (Cont.)

- Help Ellen submit an appeal to the Marketplace Appeal Group online at [HealthCare.gov/marketplace-appeals/appeal-forms](https://www.healthcare.gov/marketplace-appeals/appeal-forms).
- Explain to Ellen that she lost her APTC because IRS data was not updated in time to reflect that she filed her federal income taxes and reconciled her APTC and that she needed to attest on her application during OE of having done so.
- Encourage Ellen to request “eligibility pending appeal” so she can maintain her APTC during the appeals process.



Resources

- [HealthCare.gov/taxes](https://www.healthcare.gov/taxes)
- [HealthCare.gov/taxes-reconciling](https://www.healthcare.gov/taxes-reconciling)
- [Form 1095-A](https://www.irs.gov/efile/1095-a) and [Form 1095-A instructions](https://www.irs.gov/efile/1095-a-instructions)
- [Form 8962](https://www.irs.gov/efile/8962) and [Form 8962 instructions](https://www.irs.gov/efile/8962-instructions)
- [IRS.gov](https://www.irs.gov)
- [Marketplace.cms.gov](https://www.marketplace.cms.gov/tax) tax information section
- [VITA tax aid](https://www.irs.gov/efile/vita)
- [AARP tax aids](https://www.aarp.org/tax)
- [Second-Lowest Cost Silver Plan \(SLCSP\) tax tool](https://www.irs.gov/efile/slcsp)
- [Lowest-Cost Bronze Plan \(LCBP\) tax tool](https://www.irs.gov/efile/lcbp)
- [Guidance on Annual Eligibility Redetermination and Re-enrollments for Marketplace Coverage for 2019](https://www.irs.gov/efile/guidance)