

# Premium Tax Credit: Final Regulations

Presentation at Health Insurance Exchange  
System-Wide Meeting

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UNITED STATES  
DEPARTMENT OF  
THE TREASURY



# Introduction

- ❑ Final Regulations on the Credit – More Guidance to Come
- ❑ Premium Tax Credit – Available only to those enrolled in coverage through an exchange who meet the other eligibility requirements
- ❑ Advance Payments of the Premium Tax Credit vs. Premium Tax Credit – What's the Difference?

# Eligibility for Credit

- ❑ Focus on the taxpayer (tax filer) and the year (taxpayer's income for the year as a share of FPL)
- ❑ Based on the “tax family”
- ❑ Household income and tax family determined for a year (actual household income and tax family don't change, but projected HHI and tax family for APTC may change)

# Eligibility for Credit

☐ To be an applicable taxpayer:

- Household income for family size for the year is between 100-400% of FPL
- Married taxpayers must file joint return
- Not a dependent
- At least one family member enrolled in a QHP

# Calculating the Premium Tax Credit

- ❑ Premium assistance credit amount (year) = sum of premium assistance amounts (PAA) for all coverage months
  
- ❑ Focus is on members of the tax family who have coverage months (coverage family) and the month (mix of monthly and annual concepts)
  - Enrolled in QHP through an exchange
  - TP or family member does not have MEC
  - Premium paid by TP or through advance payment

# Calculating the Premium Tax Credit

- PAA for a coverage month generally is--
  - Premium for an applicable SLCSP (the benchmark plan) less--
  - Amount the taxpayer should be able to pay for premiums (contribution amount)
  
- Not the QHP in which the family enrolls
  
- If the family enrolls in a QHP cheaper than the benchmark plan, the out of pocket cost is less. However, the credit can be no more than the premiums for the plan in which the family enrolls.

# Calculating the Premium Tax Credit

- ❑ What is the contribution amount?
  - Percentage of the taxpayer's household income for the year, based on the taxpayer's FPL
  - Divide annual contribution amount by 12 to determine amount for a coverage month
- ❑ Same annual determination as for determining eligibility

# Calculating the Premium Tax Credit

□ What is the applicable benchmark plan?

- The SLCSP in the taxpayer's market that "applies" to the family based on the individuals in the coverage family (enrolled in the QHP and not eligible for MEC)
- Must be open to enrollment
- Can change for a coverage month if the coverage family changes



# Calculating the Premium Tax Credit

## □ Benchmark plan issues

- Changes in coverage family
- One tax family needs two policies
- Two tax families enrolled in same policy
- Plan closes to enrollment

# What's New in the Final Regulations?

- ❑ Special reconciliation rules to protect families who marry during the year
- ❑ Request for comments on exception to “married filing jointly” requirement for survivors of domestic violence, abandoned spouses, and others in similar situations
- ❑ “Reckless disregard” limitation on employee affordability safe harbor
- ❑ Eligibility for adult children and other non-tax-dependents

# More Guidance Is Coming On...

- Rules about employer-sponsored coverage
  - Minimum value
  - Affordability for related individuals
  - Wellness programs and health reimbursement arrangements
  
- Special rules about government-sponsored coverage

# Interactions between Premium Tax Credit rules and Exchange rules

- ❑ Verification of employer-sponsored insurance
- ❑ Attestations required of tax filers
- ❑ Three-month grace period for payment of premiums
- ❑ Annual automatic redeterminations
- ❑ Information reporting by exchanges