



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



March 2024

This information is intended only for the use of entities and individuals certified to serve as Navigators, certified application counselors, or non-Navigator assistance personnel in a Federally-facilitated Marketplace. The terms “Federally-facilitated Marketplace” and “FFM,” as used in this document, include FFMs where the state performs plan management functions. Some information in this manual may also be of interest to individuals helping consumers in State-based Marketplaces and State-based Marketplaces using the Federal Platform. This material was produced and disseminated at U.S. tax filer expense.

Purpose

- This assister webinar describes new policy and operational changes assisters need to know.
- This webinar also provides background information and a scenario with a knowledge check on reconciling advance payments of the premium tax credit (APTC).



Navigator Duties

- Navigators in the Federally-facilitated Exchanges (FfEs) are required to help consumers with Marketplace-related components of the APTC reconciliation process and with understanding the availability of IRS resources on this process*, including:
 - Obtaining Internal Revenue Service (IRS) Form 1095-A, *Health Insurance Marketplace Statement*, and Form 8962, *Premium Tax Credit (PTC)*, and providing general information on these forms;
 - Understanding how to report errors on Form 1095-A;
 - How to find Silver plan premiums, including the second-lowest-cost Silver plan (also known as the “benchmark” plan) premiums, using the [Health Coverage Tax Tool](#) at HealthCare.gov; and
 - Potential consequences for consumers for whom APTC was paid during two consecutive tax years and who failed to file and reconcile in both tax years.
- Additionally, Navigators are required to refer consumers to licensed tax advisers, tax preparers, or other resources for assistance with tax preparation and tax advice related to consumer questions on APTC reconciliation.

*[45 CFR § 155.210\(e\)\(9\)](#)

What's New: Failure To File and Reconcile (FTR) Operational Flexibilities

- In the HHS Notice of Benefit and Payment Parameters for 2024 Final Rule, CMS finalized that, for Plan Year (PY) 2024, Marketplaces may not determine consumers ineligible for APTC due to having failed to file a Federal income tax return and reconcile their past APTC for only one tax year.
 - Instead, Marketplaces will determine enrollees ineligible for APTC after a tax filer has failed to file a Federal income tax return and reconcile their past APTC for two consecutive tax years.
- The Marketplace will continue its pause on FTR actions in PY 2024 until the IRS is ready to provide the new FTR code for PY 2025. As finalized in the 2024 PN, CMS will provide stakeholders at least 3 months advance notice before FTR operations are set to begin with the start of Open Enrollment 2025 activities.



Marketplace FTR Operations for PY 2024

- Consumers are encouraged to file their 2023 taxes and reconcile APTC using IRS Form 8962 as soon as possible in preparation for the Marketplace to begin resuming FTR operations during 2024 in preparation for PY 2025.
- The Marketplace will not remove APTC on PY 2024 applications due to FTR operations or determine an applicant's FTR status at any point during PY 2024 for PY 2024 coverage.
- Consumers with a FTR status will receive a Marketplace Open Enrollment Notice (MOEN) and either the consumer or their tax filer will also receive a FTR Direct Warning Notice prior to Open Enrollment for PY 2025.
- CMS will resume FTR operations in Fall 2024 with the start of OE 2025, and effective January 1, 2025, enrollees who have failed to file and reconcile for tax years 2022 and 2023 will no longer be eligible for APTC.
- If a consumer with a two-tax year FTR status has in fact filed and reconciled but IRS data has not yet updated, they can attest to filing and reconciling on their Marketplace application during OE in order to remain eligible for APTC for PY 2025. The Marketplace will then recheck IRS data to see if they have in fact filed and reconciled during the FTR Recheck process, which typically occurs sometime after OE ends annually on January 15.

Assister Reminders



- Navigators and CACs may not provide assistance with filing income tax returns as part of their role as Navigators or CACs.
- Navigators and CACs who are licensed tax advisers or preparers may continue to provide such services outside their role as Navigators or CACs.

Exemptions

- The individual shared responsibility payment is \$0; therefore, consumers no longer need to report to the IRS whether they had full-year health care coverage or qualify for an exemption.
- However, consumers who are age 30 or older and wish to purchase Catastrophic coverage 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. (Consumers under age 30 do not need an exemption to purchase Catastrophic coverage.)



Understanding Form 1095-A

- Form 1095-A is a prepopulated tax form (like a Form W-2) that the Marketplace sends to consumers each year that shows certain information about each covered consumer's Marketplace coverage.
 - Marketplace consumers who were enrolled in Catastrophic plans or dental-only coverage will not receive a Form 1095-A for that coverage.
- Form 1095-A provides consumers with information about their Marketplace health coverage so they can do the following when filing a tax return:
 - Reconcile APTC, if applicable (refer to [Slide 12](#)), with the allowed premium tax credit (PTC).
 - Claim the PTC if they are enrolled in Marketplace coverage without APTC and are eligible for PTC or are eligible for PTC that exceeds their APTC.
- Consumers will use information from Form 1095-A to fill out and file IRS Form 8962 with their annual federal income tax return.



Understanding Form 1095-A (Cont.)

- Consumers must complete Form 8962 and file it with their federal income tax return if they want to claim the PTC or if APTC was paid for the consumer or another member of the consumer's tax household (the consumer's spouse, if filing a joint federal income tax return, and the consumer's tax dependents). These consumers for whom APTC is paid are required to file a federal income tax return and include Form 8962 with the return.
- Electronically filed federal income tax returns will be automatically rejected by the IRS if the tax filer is required to reconcile because APTC was paid for the tax filer or another member of the tax filer's tax household, but the federal tax return does not include Form 8962 or a sufficient written explanation for not including it. This is a new operational process that the IRS introduced in 2022.
 - The IRS will continue to contact tax filers who file paper returns without the required Form 8962 or a written explanation to request the missing form.



Understanding Form 1095-A (Cont.)

- Consumers will receive from the Marketplace their Form 1095-A and line-by-line instructions developed by IRS in the mail by mid-February.
- Consumers can also access their Form 1095-A online from the “Tax Forms” section in their Marketplace account by January 31, and often as soon as mid-January. (Instructions for accessing the form online are available at [HealthCare.gov/tax-form-1095.](https://www.healthcare.gov/tax-form-1095/))
- A unique Form 1095-A will be generated for each qualified health plan in which a member of the tax household enrolled.
 - Each member of a tax household who is on the same policy will be listed together on one Form 1095-A.
 - Tax households of more than five members enrolled in the same policy will receive an additional Form 1095-A that is a continuation of the first Form 1095-A and lists additional family members.



Corrections to Form 1095-A

If a consumer believes enrollment-related information listed on the Form 1095-A may be incorrect, they should contact the Marketplace Call Center. Once a consumer has filed a Form 1095-A complaint with the CMS Call Center, CMS will research the issue to determine if a correction is necessary and:

- Update the Marketplace data to generate a Corrected or Void Form 1095-A, if necessary.
- Generate and mail Corrected or Void Forms 1095-A and upload them to the consumer's Marketplace account. The Corrected or Void Form 1095-A will have the "corrected" or "void" check box marked, and CMS will also report the corrected information to the IRS.

Note: Changes to Social Security Number (SSN), name, and/or date of birth provided on a consumer's current Marketplace application can be made online or with the assistance of the Marketplace Call Center. These data elements do not need to be updated on a consumer's Form 1095-A in order for a consumer to complete their tax return.

APTC Reconciliation – IRS Form 8962

- As discussed earlier, if Form 1095-A shows that APTC was paid on behalf of a consumer or a member of their tax household, the household's tax filer is required to file a federal income tax return for the year of coverage and include with the return a completed IRS Form 8962 to reconcile the APTC.
- The reconciling process compares two figures:
 - The amount of APTC paid on behalf of the consumer or a member of their tax household during the year of coverage based on their estimated household income and household size for the year.
 - The amount of PTC the consumer qualifies for based on their actual household income and household size 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 tax household, and the tax filer does not file a federal income tax return and reconcile past APTC with IRS Form 8962 for two consecutive tax years for which APTC was paid, they and their tax household **will typically not be eligible** for APTC or income-based cost-sharing reductions (CSRs) to help pay for their Marketplace coverage in the next coverage year.
- This means that they will be responsible for the full cost of their monthly premiums and health care costs through the Marketplace unless they file their federal income tax return and reconcile past APTC for the year for which APTC was paid. Again, CMS expects this to be the case for PY 2025.

These consumers should file a federal income tax return for the years in which APTC was paid on their behalf. If they do not, they may incur a tax liability from past unreconciled APTC with the IRS.

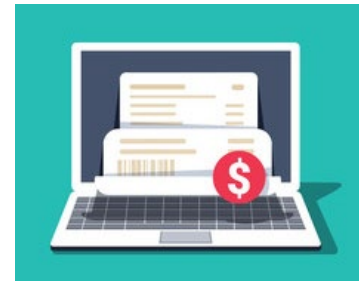


Failure to File and Reconcile (FTR)

- FTR occurs when consumers who have Marketplace coverage with APTC don't file their annual federal income tax return and reconcile their APTC.
- Typically, prior to Open Enrollment (OE), the Marketplace checks IRS data to determine if tax filers filed their federal income tax returns and reconciled their APTC for the most recent tax year for which data is available.
 - When the Marketplace requests income verification data from the IRS about a tax filer who has not (or whose tax household member has not) filed a federal income tax return or reconciled APTC for that tax year, IRS returns a response to the Marketplace indicating that the tax filer has not filed and/or reconciled their APTC (referred to as having an "FTR status").

Failure to File and Reconcile (FTR) (Cont.)

- Consumers with an FTR status typically receive Marketplace notices warning them to file their federal income tax return and reconcile past APTC immediately and to attest on their application during OE to having filed and reconciled, if they have, in fact, done so.
- Then, 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 tax return and reconciled their APTC. This process is called “FTR Recheck”.
- FTR enrollees who don’t update their applications to attest to filing and reconciling and get automatically re-enrolled in coverage for the new plan year will have their APTC removed effective January 1 of the new plan year.

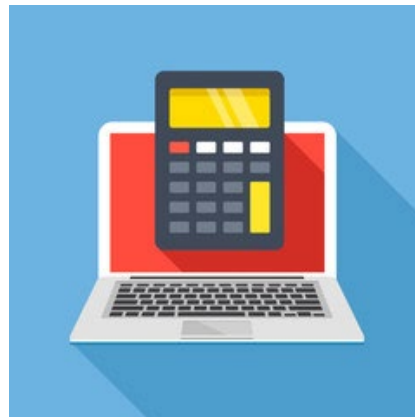


Regaining APTC After Losing APTC Due to FTR

- Beginning with plan year 2025 eligibility determinations, if consumers fail to file federal income tax returns and reconcile APTC for two consecutive tax years, as verified with IRS data, consumers may lose their APTC. If a consumer is found to have failed to file and reconcile APTC for two consecutive tax years, consumers must file a federal income tax return and reconcile past APTC immediately for the applicable tax years to remain eligible for APTC for the new plan year.
 - Consumers who remain enrolled in full-cost coverage after losing APTC eligibility can return to their Marketplace application and attest to filing and reconciling for the applicable tax year after they have done so.
 - The consumer will then become eligible for APTC again (if otherwise eligible) and will be eligible for a Special Enrollment Period (SEP) to make changes to their enrollment and can apply APTC to their plan prospectively. This SEP is only available to current enrollees.

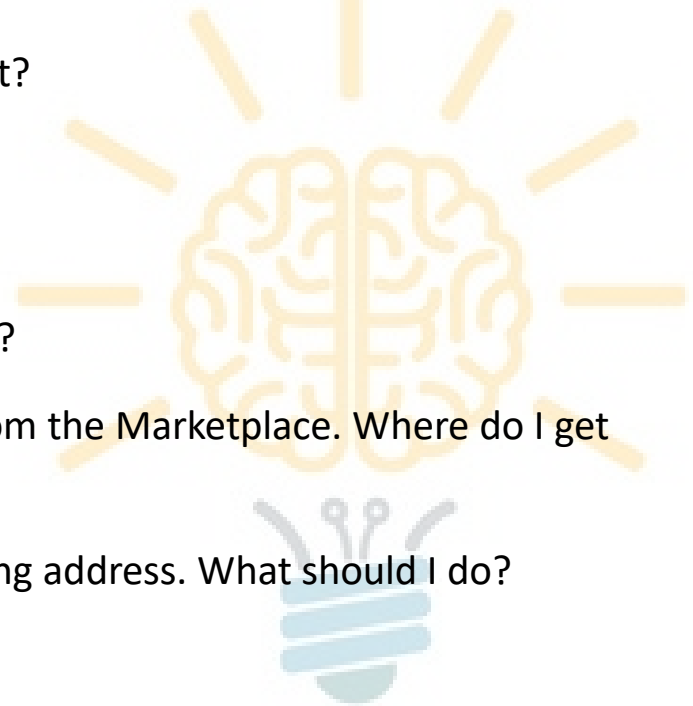
Regaining APTC After Losing APTC Due to FTR (Cont.)

- Consumers who drop coverage because they lost APTC and then file a federal income tax return and reconcile APTC as required for the applicable tax year must qualify for a different type of SEP, such as a move, for example, to re-enroll in coverage with APTC or wait until the next OE. Consumers can find more information on SEP qualifying events at [HealthCare.gov/coverage-outside-open-enrollment/special-enrollment-period](https://www.healthcare.gov/coverage-outside-open-enrollment/special-enrollment-period).



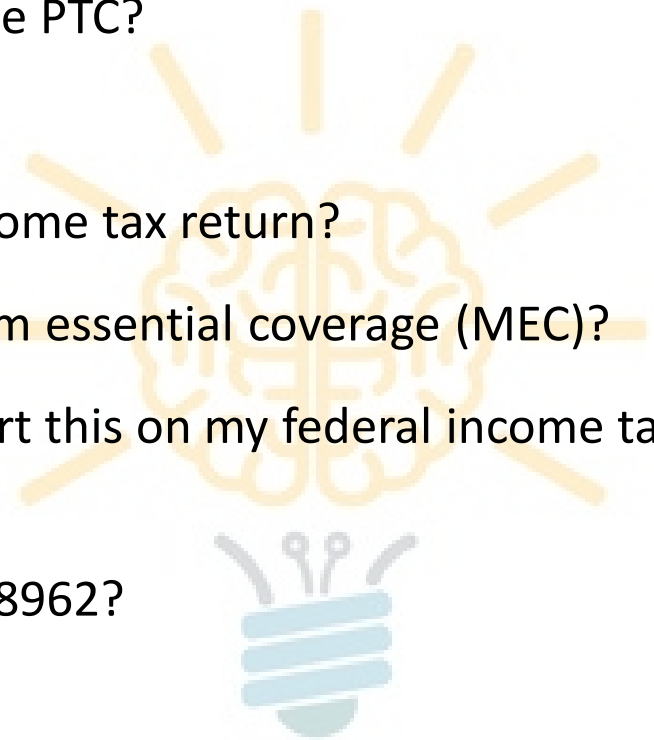
Consumer Questions that Should be Directed to the Marketplace

- 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?
- Who is a family member for purposes of the PTC?
- What is household income?
- 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?
- How do I use Form 1095-A to fill out Form 8962?
- How do I get a copy of Form 8962?
- I received a corrected Form 1095-A. Do I need to amend my federal income tax return?



Scenario: APTC Reconciliation

- Lucy enrolled in Marketplace coverage with APTC in PY 2023 for the first time.
- She received her Form 1095-A from the Marketplace around February 2024 and filled out Form 8962. She found that she has excess APTC. (Her APTC for the year of coverage exceeds her PTC for the year.)



Knowledge Check #1

Does Lucy need to repay her 2023 excess APTC?



Knowledge Check #1 Answer

Yes, Lucy must repay all or a portion of her 2023 excess APTC, as directed by the IRS. Lucy should submit her Form 8962 with her 2023 tax return (by April 15, 2024, or the applicable tax-filing deadline) and list her excess APTC repayment amount on Schedule 2 of IRS Form 1040.



Knowledge Check #2

If Lucy failed, in 2023, to file her 2022 tax return and reconcile her 2022 APTC, and this scenario is repeated in 2024 with failing to file her 2023 federal income tax return and reconcile her 2023 APTC, would she be eligible for APTC and CSRs for PY 2025?



Knowledge Check #2 Answer

No, Lucy would not be eligible for APTC and CSRs for PY 2025 due to her failure to file and reconcile her tax returns and APTC for two consecutive years.



Resources

- HealthCare.gov:
 - [HealthCare.gov/taxes](https://www.healthcare.gov/taxes)
 - [HealthCare.gov/taxes-reconciling](https://www.healthcare.gov/taxes-reconciling)
 - [HealthCare.gov/tax-tool/#/](https://www.healthcare.gov/tax-tool/#/)

- IRS.gov:
 - [IRS.gov](https://www.irs.gov)
 - [IRS.gov/credits-deductions/individuals/child-tax-credit](https://www.irs.gov/credits-deductions/individuals/child-tax-credit)
 - [Form 1095-A](#) and [Form 1095-A instructions](#)
 - [Form 8962](#) and [Form 8962 instructions](#)
 - [How to Correct an Electronically Filed Return Rejected for a Missing Form 8962](#)

Resources (Cont.)

- [CMS.gov/Marketplace](#) tax information section
- [VITA tax aid](#)
- [AARP tax aids](#)
- [Guidance on Annual Eligibility Redetermination and Re-enrollments for Marketplace Coverage for 2019 and Later Years](#)
- [United Way MyFreeTaxes](#)

NOTE: This document contains links to non-United States Government websites. We are providing these links because they contain additional information relevant to the topic(s) discussed in this document or that otherwise may be useful to the reader. We cannot attest to the accuracy of information provided on the cited third-party websites or any other linked third-party site. We are providing these links for reference only; linking to a non-United States Government website does not constitute an endorsement by CMS, HHS, or any of their employees of the sponsors or the information and/or any products presented on the website. Also, please be aware that the privacy protections generally provided by United States Government websites do not apply to third-party sites.