

# Advance Payments of the Premium Tax Credit (APTC) and Cost-Sharing Reductions (CSRs) Overview

This job aid provides information and guidance that Navigators, Certified Application Counselors (CACs), and Enrollment Assistance Personnel (EAPs) (collectively, assisters) need to know about advance payments of the premium tax credit (APTC) and cost-sharing reductions (CSRs) under the Affordable Care Act (ACA) and Centers for Medicare & Medicaid Services (CMS) regulations.

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Version 1.0. June 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 FFM 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.

## Overview

When a consumer applies for Marketplace coverage, they'll find out if they may qualify for a premium tax credit (PTC), which is a tax credit consumers can use to lower their monthly premium. The amount of their premium tax credit depends on the household income for the year they enroll in coverage.<sup>i</sup>

A consumer can apply some or all of this tax credit to their monthly insurance premium payment. The Marketplace will send the tax credit directly to their insurance company, so they'll pay less each month. This is called taking an advance payment of the premium tax credit (APTC). APTC are advance payments of tax credits consumers can use to lower their monthly insurance payments (called their premiums) when they enroll in a plan through the Marketplace. Consumers can use APTC for a plan in any metal category. When comparing plans, consumers can select the amount of APTC for which they are eligible that they want paid on their behalf to their chosen insurance company.

Consumers can also find out if they qualify for cost-sharing reductions (CSRs) when they apply for Marketplace coverage. CSRs, often called "extra savings," are discounts that lower the amount consumers have to pay for out-of-pocket costs, like deductibles, copayments, and coinsurance, and can lower out-of-pocket maximum.

## Eligibility Requirements

### APTC

Under the ACA, a consumer is eligible to have APTC paid on their behalf if they meet all of the following requirements:

- Will have an annual household income that falls within 100 to 400 percent of the federal poverty level (FPL);

**Note:** The American Rescue Plan Act of 2021 (ARP) expanded eligibility for PTC for the 2021 and 2022 plan years, and the Inflation Reduction Act (IRA) extended this provision through the 2025 plan year. Under the IRA, APTC is now also available through 2025 to consumers who otherwise meet eligibility requirements and who have an expected household income above 400 percent of the FPL.

- Must file a federal income tax return or be claimed as a tax filer's dependent;
- Will not file a Married Filing Separately federal income tax return;
  - Exception: A consumer may qualify for a special rule that allows certain victims of domestic abuse and spousal abandonment to claim the PTC using the Married

Filing Separately filing status when they file their federal income tax returns. These applicants should attest they are single when filling out an application.

**Note:** If a consumer is legally married but lives separately from their spouse for at least six months of the year of coverage and for more than half of that year lives with a tax dependent in a home that the consumer pays more than half of the cost of, the consumer may be eligible to file as “Head of Household” and won’t have to miss out APTC and PTC due to filing status.

- Must be enrolled in coverage (excluding Catastrophic coverage) through a Marketplace for one or more months of the year; and
- Is not eligible for or enrolled in other minimum essential coverage (MEC). For example, the consumer is not offered “affordable” coverage through an eligible employer-sponsored plan that provides minimum value and is not enrolled in employer-sponsored coverage (ESC) regardless of affordability or provision of minimum value.
  - An employer-sponsored plan is affordable if the self-only premium is no more than 8.39 percent of annual household income in 2024. It provides minimum value if the plan covers at least 60 percent of the total cost of medical services for a standard population and includes substantial coverage of physician and inpatient hospital services.

**Note:** The Internal Revenue Service (IRS) issued new regulations that applied starting in Plan Year 2023. If a consumer has an offer of employer coverage that extends to their family members, the affordability of employer coverage for those family members will be based on the family premium amount, not the self-only employee premium cost.

- Is not eligible for qualifying coverage through a government program like Medicaid, Medicare, the Children’s Health Insurance Program (CHIP), or TRICARE.
- Is not offered a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) amount exceeding the APTC limit or individual coverage Health Reimbursement Arrangement (HRA) that meets the affordability standards.

## CSRs

In addition to premium tax credits, some consumers may be eligible for extra savings in the form of CSRs through the Marketplace. The Marketplace determines whether consumers are eligible for income-based CSRs based on their projected household income and size. If a consumer is eligible for income-based CSRs, they must choose a Silver QHP to receive savings.

To be eligible for and utilize income-based CSRs, a consumer must:

- Have a projected household income between 100 percent and 250 percent of the FPL; and
- Enroll in a Silver category QHP through the Marketplace; and
- Be eligible for the premium tax credit.

Consumers' Marketplace eligibility results will indicate whether they are eligible for CSRs. It is important for non-AI/AN consumers to understand that they may potentially save thousands of dollars if they use medical services, but only if they select a Silver plan.

To be eligible for CSRs based on tribal status, American Indian/Alaska Native (AI/AN) consumers who are members of a federally recognized Tribe must:

- Have a projected household income from 100 percent to 300 percent of the FPL for zero cost sharing or over 300 percent of the FPL for limited cost sharing; and
- Enroll in a QHP through the Marketplace at any metal level

## Reconciling APTC and Changes that Affect Cost of Coverage

Assisters should explain to consumers that the amount of APTC paid on their behalf will affect the amount they owe or the amount of their refund when they file their federal income tax return. Consumers who receive APTC must file a federal income tax return and include IRS Form 8962, Premium Tax Credit (PTC), even if they are not otherwise required to file taxes.<sup>ii</sup> Each year, Marketplace enrollees will receive Form 1095-A – Health Insurance Marketplace Statement, which contains information about Marketplace plans any member of the tax household had during the year. Consumers will use information from Form 1095-A to file IRS Form 8962.

A consumer's maximum APTC amount was determined based on the consumer's projected household income and size. However, the consumer must use their actual household income and family size to calculate the premium tax credit when filing their federal income tax return. If a consumer's actual household income differs from the projected household income amount, this may affect the amount the consumer will pay or receive as a credit or refund when filing their federal income tax return. If a consumer will have an uncertain or variable income, assisters may want to discuss the idea of applying only part of the premium tax credit for which

they are eligible as an advance payment. This may reduce the amount of money the consumer owes at tax filing time in the event the consumer's actual income is higher than anticipated.

If consumers' actual household income is less than they projected when they submitted their Marketplace application, or if they did not apply all of the APTC for which they were eligible when they enrolled in a QHP, their premium tax credit will likely be more than their APTC. In that case, consumers will get a credit or a refund for the difference when they file a federal income tax return for the year.

Consumer repayments of excess APTC are limited to amounts based on their household income and household size. Consumers can find current information on repayment limits in [IRS Form 8962 – Premium Tax Credit \(PTC\) instructions](#).

Assisters should inform consumers that they may be ineligible for APTC in future years if APTC is paid on their behalf, but they do not file a federal income tax return for the year and reconcile their APTC. Beginning January 1, 2025, Marketplaces may only determine enrollees ineligible for APTC after they have failed to file their household's federal income tax return and reconcile their APTC for two consecutive tax years (specifically, years for which tax data will be utilized for verification of household income and family size). All Marketplaces, including State-based Marketplaces, will also be required to send notices to tax filers in the first year in which they failed to reconcile APTC as an initial warning to inform and educate tax filers that they need to file and reconcile or risk being determined ineligible for APTC if they fail to file and reconcile for a second consecutive tax year. For more information about failure to reconcile APTC refer to the [Taxes, Reconciling APTC, Failure To Reconcile, and Marketplace Exemptions job aid](#).

If a consumer's actual household income is below 100 percent of the FPL, the consumer may still be able to claim the premium tax credit at tax time if they were enrolled in a Marketplace plan with APTC and expected a household income equal to or above 100 percent of the FPL when the consumer initially enrolled in the plan and did not intentionally misrepresent their income to the Marketplace. However, for the next plan year, the individual will not be eligible for APTC if their household income for the next plan year is expected to remain below 100 percent of the FPL.

Consumers should return to the Marketplace to update their income information whenever there are changes. In most states, if a consumer appears to qualify for Medicaid or CHIP, their application information will be sent directly to the consumer's state Medicaid or CHIP agency, and the consumer will receive a final notice of Medicaid or CHIP eligibility later. In a small number of states, the Marketplace makes the final determination of Medicaid and CHIP eligibility. For more information, refer to the [Medicaid and CHIP Overview assister job aid](#).

## Assister Duties

Assisters must educate consumers on Marketplace-related components of the premium tax credit reconciliation process and help them understand the availability of IRS resources on this process, and assisters must inform consumers that they are not acting as a tax adviser or attorney when providing assistance as an assister and cannot provide tax or legal advice within their capacity as an assister.

Beginning with Navigator grants in 2022, including non-competing continuation awards, Navigators are required to provide information on and assistance with Marketplace-related components of the premium tax credit reconciliation process, and understanding the availability of IRS resources on this process. Navigators must also provide referrals to licensed tax advisers, tax preparers, or other resources for assistance with tax preparation and tax advice related to consumer questions about the Exchange application and enrollment process and PTC reconciliations.

However, there are certain questions consumers should direct to the IRS about their coverage status and how Marketplace financial assistance will affect their tax filing. The IRS will handle consumer questions regarding:

- Help filing taxes
- Help paying taxes owed to the IRS
- Questions related to tax filing, such as:
  - How long can I delay filing?
  - What happens if I don't file?
  - I filed my taxes prior to getting Form 1095-A
  - How do I amend my tax return?
- Questions on how to complete Form 8962, Premium Tax Credit
- Questions about other tax forms

Tax assistance (including [Free File](#), which forms to fill out, where to get assistance with tax filing, and what the tax-filing deadline is).

## Resources

- **CMS.gov:**
  - APTC and CSR Basics webinar: [CMS.gov/marketplace/technical-assistance-resources/aptc-csr-basics.pdf](https://www.cms.gov/marketplace/technical-assistance-resources/aptc-csr-basics.pdf)
  - Medicaid and CHIP Overview job aid: [CMS.gov/marketplace/technical-assistance-resources/fast-facts-medicaid-chip.pdf](https://www.cms.gov/marketplace/technical-assistance-resources/fast-facts-medicaid-chip.pdf)
  - Marketplace Assister Microlearning: [CMS.gov/marketplace/technical-assistance-resources/marketplace-assister-microlearning](https://www.cms.gov/marketplace/technical-assistance-resources/marketplace-assister-microlearning)
  - Taxes, Reconciling APTC, Failure to Reconcile, and Marketplace Exemptions job aid: [CMS.gov/files/document/tax-reconciling-exemptions-job-aid.pdf](https://www.cms.gov/files/document/tax-reconciling-exemptions-job-aid.pdf)
- **HealthCare.gov:**
  - Premium Tax Credit Definition: [Healthcare.gov/glossary/premium-tax-credit/](https://www.healthcare.gov/glossary/premium-tax-credit/)
  - Saving Money on Health Insurance: [Healthcare.gov/lower-costs/save-on-monthly-premiums/](https://www.healthcare.gov/lower-costs/save-on-monthly-premiums/)
- **IRS:**
  - About Form 1095-A, Health Insurance Marketplace Statement: [IRS.gov/forms-pubs/about-form-1095-a](https://www.irs.gov/forms-pubs/about-form-1095-a)
  - Instructions for Form 8962: [IRS.gov/pub/irs-pdf/i8962.pdf](https://www.irs.gov/pub/irs-pdf/i8962.pdf)
  - Questions and Answers on the Premium Tax Credit: [IRS.gov/affordable-care-act/individuals-and-families/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)

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<sup>i</sup> [FR-2012-05-23/pdf/2012-12421.pdf](https://www.federalregister.gov/documents/2012/05/23/2012-12421)

<sup>ii</sup> [CFR-2016-title26-vol1-sec1-36B-4.pdf](https://www.ecfr.gov/current/title-26-vol1-sec1-36B-4)

