

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

This job aid provides information and guidance for Navigators and Certified Application Counselors (CACs) (collectively, Assisters) on 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 when serving consumers in the Federally facilitated Marketplaces (FFMs) – also known as the Health Insurance Marketplace®.

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Version 4.0. October 2025. 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 PTC depends on the household income for the year they enroll in coverage.ⁱ

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.

For more information on calculating income, refer to the [Helping Consumers Use the Income Calculator, Window Shopping Tool, and Savings Estimator Tool microlearning](#).

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 to consumers with expected household income above 400 percent of the FPL for the 2021 and 2022 plan years, and the Inflation Reduction Act (IRA) extended this provision through the 2025 plan year. The expanded eligibility for PTC to consumers with household income above 400% of the FPL **is scheduled to expire** December 31, 2025.

- 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 on 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. For more information on ESC, refer to the [Department of Labor](#).
 - An employer-sponsored plan is affordable if the self-only premium is no more than 9.96 percent of annual household income in 2026. 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 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. For more information on Medicaid and CHIP, refer to the [Medicaid and CHIP Overview job aid](#).
- 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.

What Income is Counted?

Modified adjusted gross income (MAGI) is a methodology used to determine consumers' eligibility for:

- APTC
- CSRs
- Certain Medicaid eligibility groups
- The Children's Health Insurance Program (CHIP)

When a consumer applies for help paying for coverage, the Marketplace calculates the consumer's household income using the MAGI methodology. Then the dollar amount is converted to a percentage of the federal poverty level (FPL) to determine eligibility for each program.

Generally, MAGI is a household's adjusted gross income plus these, if any:

- Untaxed foreign income
- Non-taxable Social Security benefits
- Tax-exempt interest

MAGI does not appear as a line on consumers' tax returns. Unless someone is receiving Social Security benefits, it is often identical or very close to a household's adjusted gross income.

If an income type is taxable and included on a consumer's federal income tax form, then it counts as part of MAGI. All taxable income should be included on a Marketplace application. A consumer doesn't need to know the MAGI rules to complete a Marketplace application and get the right eligibility outcome. The application is designed to ask questions that will collect income information from the right people. The Marketplace will then add together only the income amounts that should count. The Marketplace relies on projected yearly income for the year consumers seek coverage when assessing their eligibility for APTC and CSRs.

For a full list of income consumers should and should not report on their Marketplace application, refer to [IRS Publication 17](#) and [IRS Publication 525](#). Refer to [HealthCare.gov: Count income and household size](#) for additional information about what to include and how to estimate income.

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 PTC.

Consumers' Marketplace eligibility results will indicate whether they are eligible for CSRs. It is important for non-AI/AN (American Indian/Alaska Native) 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, 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.ⁱⁱ 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. For more information on Form 1095-A, refer to the [Locating Form 1095-A and Determining the Second-lowest-cost Silver Plan \(SLCSP\) Premium microlearning](#).

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 PTC 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 has 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 a consumer's 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 PTC 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.

Starting with Plan Year 2026, if a consumer receives excess APTC, the tax imposed on the consumer for the taxable year will be increased by the amount of the excess APTC.

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. For plan year 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 in which tax data will be utilized for verification of household income and family size). All Marketplaces, including State-based Marketplaces, are 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 was enrolled in a Marketplace plan with APTC with an expected household income equal to or above 100 percent of the FPL, but their actual household income is below 100 percent of the FPL when they file and reconcile, the consumer may still be able to claim the premium tax credit at tax time if they 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, and the consumer will receive enrollment information from the state Medicaid or CHIP agency. 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 PTC reconciliation process and help them understand the availability of IRS resources in 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.

Navigators are required to provide information on and assistance with Marketplace-related components of the premium tax credit reconciliation process, and to understand 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](#), with resources about 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-assistanceresources/aptc-csr-basics.pdf](https://www.cms.gov/marketplace/technical-assistanceresources/aptc-csr-basics.pdf)
 - Helping Consumers Use the Income Calculator, Window Shopping Tool, and Savings Estimator Tool microlearning: [CMS.gov/marketplace/technical-assistance-resources/income-calculator-window-shop-estimator-tool.pdf](https://www.cms.gov/marketplace/technical-assistance-resources/income-calculator-window-shop-estimator-tool.pdf)
 - Locating Form 1095-A and Determining the Second-lowest-cost Silver Plan (SLCSP) Premium microlearning: [CMS.gov/files/document/form-1095a-and-silver-plan-premium.pdf](https://www.cms.gov/files/document/form-1095a-and-silver-plan-premium.pdf)
 - Medicaid and CHIP Overview job aid: [CMS.gov/marketplace/technical-assistanceresources/fast-facts-medicaid-chip.pdf](https://www.cms.gov/marketplace/technical-assistanceresources/fast-facts-medicaid-chip.pdf)
 - Marketplace Assister Microlearning: [CMS.gov/marketplace/technical-assistanceresources/marketplace-assister-microlearning](https://www.cms.gov/marketplace/technical-assistanceresources/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-monthlypremiums/](https://www.healthcare.gov/lower-costs/save-on-monthlypremiums/)
- **IRS:**
 - About Form 1095-A, Health Insurance Marketplace Statement: [IRS.gov/formspubs/about-form-1095-a](https://www.irs.gov/formspubs/about-form-1095-a)
 - Free File: Do your taxes for free: [IRS.gov/filing/irs-free-file-do-your-taxes-for-free](https://www.irs.gov/filing/irs-free-file-do-your-taxes-for-free)
 - 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-careact/individuals-and-families/questions-and-answers-on-the-premium-tax-credit](https://www.irs.gov/affordable-careact/individuals-and-families/questions-and-answers-on-the-premium-tax-credit)

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

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

