



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



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Purpose

- This webinar describes new policy and operational changes agents, brokers, and assisters need to know.
- This webinar also provides background information and a scenario with knowledge checks on the following topics:
 - Exemptions
 - Understanding Form 1095-A and tax filing
 - Reconciling advance payments of the premium tax credit (APTC)
 - The impact of not filing federal income taxes and reconciling APTC on time (Failure to File and Reconcile, or FTR)

For more information, agents, brokers, and assisters should refer to [SOP 12 — Understanding Form 1095-A and Reconciling Advance Payments of the Premium Tax Credit.](#)

Agent, Broker, and Assister Duties

- Agents, brokers, and assisters in the Federally-facilitated Exchanges (FEEs) should help consumers with Marketplace-related components of the APTC reconciliation process and the process to claim a premium tax credit (PTC),ⁱ including:
 - Obtaining Internal Revenue Service (IRS) Form 1095-A and Form 8962 and providing general information on these forms;
 - Understanding how to report errors on Form 1095-A;
 - How to find second-lowest-cost Silver plan (SLCSP) premiums using the [Health Coverage Tax Tool](#) at HealthCare.gov; and
 - Consequences for consumers for whom APTC was paid during the prior year and who failed to file and reconcile and/or don't attest to doing so on their Marketplace application.

Agent, Broker, and Assister Duties

(Continued)

- Additionally, agents, brokers, and assisters should refer consumers to licensed tax advisers, tax preparers, or other resources for assistance with tax preparation and tax advice related to consumer questions on PTC reconciliation.



What's New: FTR Operational Flexibilities

Due to the American Rescue Plan Act of 2021 and the impact of the COVID-19 pandemic on the IRS processing of 2020 federal income tax returns, the FTR process will be different for Plan Year (PY) 2022.ⁱⁱ

- The Marketplace has suspended FTR Recheck and will not take any FTR actions based on 2020 tax returns for PY 2022 for enrollees in the Exchanges using the federal platform. Thus, the Marketplace will **not**:
 - Warn enrollees via the Marketplace Open Enrollment Notice (MOEN) or FTR Direct Warning Notice when they have an FTR status.
 - Take action during Open Enrollment (OE) 2022 (November 1, 2021 – January 15, 2022) to end APTC eligibility for consumers with an FTR status, including during batch auto-re-enrollment (BAR).
 - Assess an applicant's FTR status in determining their APTC eligibility when an applicant submits an application through HealthCare.gov during OE 2022 and at any point during PY 2022.
 - Run FTR recheck during PY 2022.

Reminders

- As a reminder, you may not provide assistance with filing taxes as part of your role as an agent, broker or assister.ⁱⁱⁱ
- If you are a licensed tax adviser or preparer, you may continue to provide such services outside your role as an agent, broker, or assister.



Exemptions

- **For tax years 2019 and beyond**, consumers no longer need to report to the IRS whether they had full-year health care coverage or 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.^{iv}
- 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).^v



Understanding Form 1095-A

- Form 1095-A is a prepopulated tax form (like a W-2) that the Marketplace sends to consumers each year that shows each covered consumer's coverage information for that year.^{vi}
 - Marketplace consumers who were enrolled in Catastrophic plans or dental-only coverage will not receive a Form 1095-A.
- Consumers will use information from Form 1095-A to file IRS Form 8962 with their annual federal income tax return.
- Form 1095-A provides consumers with information about their health coverage so they can:
 - File their federal income taxes.
 - Reconcile APTC. If differences between PTC and APTC, claim net PTC (excess of PTC over APTC) or compute excess APTC (excess of APTC over PTC) repayment amount.
 - Claim the PTC if they are enrolled in Marketplace coverage without APTC and are eligible for a PTC.

Understanding Form 1095-A (Continued)

- 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).
- Consumers will receive this form and line-by-line instructions developed by IRS in the mail by mid-February.
- Consumers can also access Form 1095-A online from the “Tax Forms” section in their Marketplace account by February 1, 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)). Form 1095-A is also available on private websites with an Enhanced Direct Enrollment (EDE) platform.
- 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.

Corrections to Form 1095-A

- If a consumer believes enrollment-related information may be incorrect, they should contact the Marketplace Call Center. Once a consumer has filed a Form 1095-A complaint with the Centers for Medicare & Medicaid Services (CMS) Call Center, CMS will:
 - Research the issue to determine if a correction is necessary, and
 - Update the Marketplace to generate a Corrected or Void Form 1095-A, if necessary.
- The Marketplace will generate and mail Corrected and Void Forms 1095-A and upload them to the consumer's Marketplace account. The updated 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 can be made online or with the assistance of the Marketplace Call Center to change a consumer's current application. 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.

CORRECTION

CORRECTION

CORRECTION

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 file a tax return for the year of coverage and include with the return a completed IRS Form 8962, *Premium Tax Credit*, to reconcile those advance payments.^{vii}
- The reconciling process compares two figures:
 - The amount of APTC paid on behalf of the consumer or a member of their family during the year.
 - The amount of PTC the consumer qualifies for based on their actual 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 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.^{viii}
- 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.
- These consumers should file that year's federal income tax returns, reconcile their APTC, and/or attest to filing and reconciling on their Marketplace application as soon as possible, even if they missed the filing deadline or they don't otherwise have to file an annual federal income tax return.



Failure to File and Reconcile

Note: CMS has suspended FTR operations for PY 2022 and will not end APTC eligibility for consumers whose tax filer has not filed or reconciled APTC for tax year 2020. The descriptions of the FTR process in the following slides is provided for informational purposes.

- FTR occurs when consumers who have Marketplace coverage and receive APTC don't file their annual federal income tax return and reconcile their APTC.
- Typically, prior to 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.^{ix}
 - 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").
- Consumers with this FTR response typically receive Marketplace notices warning them to file and reconcile immediately and to attest on their application during OE to having filed and reconciled, if they have in fact done so.

Failure to File and Reconcile (Continued)

- 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 taxes and reconciled their APTC. This process is called “FTR Recheck.”
- FTR enrollees who don’t update their applications to attest 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

- For years other than 2022, if consumers lose APTC due to FTR, they must file a federal income tax return and reconcile their APTC immediately for the applicable tax year to regain APTC eligibility.
 - 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 and will have a Special Enrollment Period (SEP) to make changes to their enrollment and can apply their APTC to their plan prospectively. This SEP is only available to current enrollees.



Regaining APTC After Losing APTC

Due to FTR (Continued)

- 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 to re-enroll in coverage with APTC or wait until the next Open Enrollment Period (OEP). 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).



Scenario: APTC Reconciliation

- Lucy enrolled in Marketplace coverage with APTC in PY 2021 for the first time.
- She received her Form 1095-A from the Marketplace, filled out Form 8962, and found that she received excess APTC.
- Lucy should submit her Form 8962 with her tax return and include her excess APTC repayment amount on Schedule 2 of IRS Form 1040.



Knowledge Check: Question

Does Lucy need to repay the excess APTC she received for PY 2021?



Knowledge Check: Answer

Yes, Lucy must repay all or a portion of the excess APTC she received for PY 2021.



Child Tax Credit

- The Child Tax Credit (CTC) is a tax benefit to help families who are raising children.
- The American Rescue Plan expanded the CTC for 2021 by:
 - Increasing the credit from up to \$2,000 per qualifying child in 2020 to up to **\$3,600 for each qualifying child under age 6.**
 - Increasing the credit from up to \$2,000 per qualifying child in 2020 to up to **\$3,000 for each qualifying child ages 6 to 16.**
 - Making **17-year-olds eligible for up to \$3,000** in credit.
- To get money to families sooner, the IRS began sending the first-ever monthly payments (up to half of the total amount for eligible taxpayers) this year, starting in July.
- Advance payments went to the families of over 61 million children from July to December 2021.



Child Tax Credit (Continued)

- Taxpayers should be eligible for the full amount of the 2021 CTC for each qualifying child if they meet all eligibility factors and their annual income is not more than:
 - \$150,000 for a person who is married and filing a joint return.
 - \$112,500 for a family with a single parent (also called Head of Household).
 - \$75,000 for a single filer or a person who is married and filing a separate return.
- CTC payments and refunds do not affect other federal benefits. The monthly CTC payments that families received last year and any refund received when claiming the CTC this year will not be considered income for any family.
- Receiving CTC benefits will not change the amount taxpayers receive from any other federal benefits, including unemployment insurance, Medicaid, SNAP, SSI, SSDI, TANF, WIC, Section 8, or Public Housing.
- Under current law, receiving the CTC will also not affect immigration status, ability to get a green card, or future eligibility for immigration benefits. Use of federal tax credits is not considered for purposes of a “public charge” determination by U.S. Citizenship and Immigration Services.

Receiving CTC Benefits

- Taxpayers should file taxes for 2021 to get the rest of their CTC or to claim the full credit if they didn't get advance payments.
- To determine CTC eligibility and find options for filing a 2021 tax return for free, taxpayers can use the Get Your Child Tax Credit tool at [Childtaxcredit.gov/triage](https://childtaxcredit.gov/triage).
 - Taxpayers who are not required to file tax returns may also use this tool to claim any CTC benefits they are eligible for.
 - Non-filers who received advance CTC payments after using a simplified filing tool can file a 2021 tax return and potentially receive additional tax credits (if eligible) when they file, including any remaining CTC benefits, the 2021 Recovery Rebate Credit, the Earned Income Tax Credit (EITC), and the Child and Dependent Care Credit.
- Free resources available to support taxpayers in filing 2021 tax returns include:
 - Volunteer Income Tax Assistance (VITA)
 - United Way MyFreeTaxes
 - IRS Free File



Resources

- HealthCare.gov:
 - [HealthCare.gov/taxes](https://www.healthcare.gov/taxes)
 - [HealthCare.gov/taxes-reconciling](https://www.healthcare.gov/taxes-reconciling)
 - [Second-Lowest-Cost Silver Plan \(SLCSP\) tax tool](#)
 - [Lowest-Cost Bronze Plan \(LCBP\) tax tool](#)
- IRS.gov:
 - [IRS.gov](https://www.irs.gov)
 - [Form 1095-A](#) and [Form 1095-A instructions](#)
 - [Form 8962](#) and [Form 8962 instructions](#)
 - [IRS Free File](#)



Citations

- i. 45 CFR § 155.210(e)(9)
- ii. <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/FTR-flexibilities-2021-and-2022.pdf>
- iii. 45 CFR § 155.210(e)(6)(i)
- iv. P.L. 115-97
- v. 45 CFR § 155.305
- vi. 26 CFR § 1.36B-5
- vii. 26 CFR § 1.36B-4
- viii. 45 CFR § 155.305(f)(4)
- ix. IRC § 6103(l)(21)