

Reporting Income

Module 3: Assisting a Household with Unpredictable Income

Let's Get Started

What if my income changes throughout the year?

Some consumers may find it challenging to estimate their income.

What if I perform seasonal work, receive a commission, own a business, or have an irregular work schedule?

What if I plan to change jobs?

Objectives

After completing this module, you should be able to:

- Guide consumers with unpredictable household incomes through the income section of a Marketplace application.
- Provide consumers basic information about how to calculate their net self-employment income.
- Advise consumers where to find IRS resources and referrals to licensed tax preparers or advisers.

Assister Tip: As an assister, you can help consumers estimate their projected household income to ensure they receive all the financial assistance (i.e., premium tax credits and cost-sharing reductions) they qualify for.

In this module, you'll help a married couple whose income fluctuates estimate their household income on a Marketplace application.

What You Need to Know

Useful information

Household income affects how much financial assistance consumers are eligible for.

Consumers with household incomes that fluctuate throughout the year—or from year to year—can reduce the likelihood of having to pay back excess advance payments of the premium tax credit (APTC) by updating changes in income on their Marketplace application as soon as possible (but not later than 30 days after they become aware of the change).

Consumers can choose to take **all**, **some**, or **none** of the full amount of APTC they're eligible for.

If consumers use less APTC than they are eligible for, they may reduce the likelihood of having to pay back excess APTC and may get the difference as a refundable credit when they file their annual federal income tax return.

Consumers who report self-employment income must update their estimated annual net income on their Marketplace application when their business circumstances change. If they report a decrease in income, they could qualify for more financial assistance.

If, at tax-filing time, they have a higher annual income than what they estimated on their Marketplace application, they could have to pay back some or all of the excess APTC they received.

Refer to the following resources for more information on reporting unpredictable income:

- [Guide to Confirming Income Information](#)
- [How to estimate your expected income](#)
- [Income Calculator](#)

Finally, you can review the resources provided throughout this module to learn more about estimating unpredictable income, reporting changes to income, and tax guidelines for small businesses or individuals.

What You Need to Do

The following scenario is of Marcus and Tia Brown, a married couple who will have unpredictable household income during the year, complete the income section of their Marketplace application.

Marcus is a self-employed website designer who earns income from both regular clients and freelance web design requests he receives throughout the year. Last year he earned \$42,000, but his annual income typically changes from year to year.

His wife, Tia, is a server who earns a base salary and receives tips. She also receives alimony from a divorce finalized before January 1, 2019.

In July of the upcoming coverage year, Tia expects to start a new job at a salon.

Before meeting with you, the Browns created a Marketplace account and completed all of their application except for the income section.

The Browns begin by entering their current household income. The application will ask about their current monthly income and generate an estimate of their annual income based on the monthly amount.

Both Marcus and Tia will earn income this month, so they each need to enter their current monthly income.

Marcus and Tia enter their incomes. Tia will enter her income first.

Tia

Tia works at Billy's Burger as a server and earns \$9.80 an hour from her base salary and tips.

On the HealthCare.gov. Tia's Income for This Month page, Tia adds the following information about her job:

- Income type: Job (like salary, wages, commissions or tips)

- Employer name: Billy's Burger

She then selects the Get help estimating income option to get a monthly estimate of her income.

An Estimate Job Income popup screen then appears. On it, Tia enters \$9.80 under Amount, selects Hourly under How often? and then enters 40 under Average hours per week for this month. She'll then select the Calculate button and the application generates a monthly income estimate.

Tia then reviews her monthly income estimate and selects **Done**.

Tia's job at Billy's Burger was successfully added to the application.

- Knowledge check question: Should Tia also add the alimony she receives as income?
- Answer: Yes

Tia finalized her divorce before January 1, 2019, so she should report the alimony she receives as income. For divorces and separations finalized before January 1, 2019, alimony should generally be reported on the Marketplace application as income or as a deduction. For divorces and separations finalized on or after January 1, 2019, alimony should not be reported on the Marketplace application as income or as a deduction. Visit the CMS.gov resource [Assister Job Aid: How Consumers Should Treat Alimony When Applying for Coverage through the Marketplace](#) for more information on how to treat alimony.

Now Tia will add the alimony she receives to the application. On the HealthCare.gov, Tia's Income for this Month page, Tia selects Add more income.

Tia receives monthly alimony payments of \$650. She selects the Alimony received option from the Income Type drop down menu.

Next, she enters \$650 under Estimated income for this month and then selects Add.

Tia reviews her income information and reminds you that she expects to start a new job at a salon in July of the upcoming coverage year, but she doesn't know how much she'll earn yet. She asks you how she should estimate her annual income for the coming year.

Knowledge check question: How should Tia estimate her annual income for the coming year?

Answer: Tia should report her current income and submit the Marketplace application. When she begins to earn income from her new job or can better predict how much she will be earning, she should log back into her Marketplace account and report the new income.

You should advise Tia to report changes to her income as soon as they occur because her coverage options and savings may change. Assisters should not be providing income estimates on behalf of consumers. Visit HealthCare.gov's [Count income & household size – What to include as income website](#) for more information.

Based on your advice, Tia answers Expected to be about this amount to whether \$28,168.32 is an accurate estimate of her annual income, even though she knows that amount will likely change. She plans to update her income information when she starts her new job. She selects the Save & continue option to proceed to the next portion of the application.

If Tia did know approximately how much she will make at her new job, she could answer Amount will probably be different than this to whether \$28,162.32 is an accurate estimate of her annual income, and then use the Income Calculator to estimate her income. The tool allows consumers who receive income at different times during the year to enter them as multiple income sources. Tia could enter the expected salary and date range for her current and future jobs to get an estimate of her expected income for the coverage year.

Tia is all set! She has successfully estimated her income and expenses!

Marcus

Now Marcus will estimate his annual income for the coverage year. On the HealthCare.gov, Marcus's Income for this Month page, Marcus selects the Add Income option to get started.

The income type drop down menu then appears. On the drop down menu, Marcus selects the Self-employment (like own business, consulting, or freelance work) option. Since Marcus is self-employed, he'll need to enter his net income for this month.

Assister Tip: Self-employed consumers should include the net income they expect to receive (sometimes called profit), which is income from their business minus business expenses.

Generally, consumers cannot deduct personal, living, or family expenses.

Marcus consistently gets paid \$4,000 a month from his regular clients.

He will receive \$1,500 from web design requests this month, but this amount changes from month to month and is usually not this high. His computer broke at the start of the month, so he had to purchase a new one for his business. He occasionally uses it for personal purposes.

He spends half of his car mileage running business errands, like driving to meet clients.

Marcus has already calculated his business income and business expenses for this month.

Income:

- Regular web design clients: \$4,000
- Ad hoc web design requests: \$1,500
- Total: \$5,500

Business Expenses:

- New computer: \$1,000
- Web design software (monthly subscription): \$100
- Business-related gas & mileage: \$100
- Business interruption insurance (monthly premium): \$300

Total: \$1,500

Marcus calculates his net self-employment income for this month by subtracting his total business expenses of \$1,500 from his total business income of \$5,500. His net self-employment income is \$4,000.

Assister Tip: Some consumers may need help calculating their net self-employment income—particularly if they’re newly self-employed and haven’t reported net income from self-employment on Schedule C of a federal income tax return before.

Remember, you should not provide tax advice in your role as an assister.

You may:

- Provide basic information about calculating net self-employment income;
- inform consumers about IRS resources; and
- provide referrals to licensed tax advisers, tax preparers, or other tax related resources.

You may not calculate net self-employment income on a consumer’s behalf.

Assister Tip: Visit HealthCare.gov’s [Self-employed people – Reporting self-employment income to the Marketplace website](#) for more information on reporting self-employment income.

Remember, consumers should be directed to IRS resources, licensed tax advisers, or licensed tax preparers for assistance with tax preparation and tax advice. For information on deducting business expenses, visit the [IRS Guide to Business Expense Resources](#) page.

For more information, refer to the [Working with Outside Organizations assister job aid](#).

Marcus enters \$4,000 for his net income for this month and “Web design consultant” to describe his work. He selects add.

The Marketplace application will automatically calculate an estimate of Marcus’ annual income based on the monthly income he reported.

Marcus does not have any expenses such as student loan interest, alimony, or educator expenses and will not contribute to an IRA this year. Therefore, he can select Save & continue to advance to the next screen.

The Marketplace automatically calculates his expected yearly income as \$48,000 (i.e., \$4,000 multiplied by 12), but Marcus does not expect to make \$48,000 for the upcoming coverage year. Therefore, he’ll select Amount will probably be different than this. Then, he’ll select the button next to Yes to indicate his income is hard to predict.

Marcus now needs to estimate his income for the coming year.

Knowledge Check: Should you advise him to enter last year’s income?

Answer: No

Marketplace financial assistance is based on consumers’ estimated net income for the year they’re applying for coverage. Marcus should start with his adjusted gross income from his most recent federal income tax return and adjust his estimate to account for expected changes. Visit HealthCare.gov’s [Count income & household size – How to estimate your expected income website](#) for more information on estimating expected income.

Marcus can either:

1. Enter an estimate in the blank field,
2. Select income calculator to use the [Income Calculator](#) to estimate his yearly income, or

3. Select Enter monthly amounts if he wants to enter estimates for each month.

Marcus typically tracks his income monthly and can provide a more accurate estimate that way, so he selects Monthly estimator.

On the Estimate Marcus's Income page, an estimate of \$45,100 will display. Marcus agrees \$45,100 is a better estimate, and he feels confident about submitting this estimate to the Marketplace. He selects Update estimate to add this estimate to his application.

Great job helping Marcus estimate his income!

Marcus is all set! He has successfully estimated his income and expenses.

Wrap-Up

Congratulations! You have completed Assisting a Household with Unpredictable Income.

Assister Tip: As a best practice, advise consumers with unpredictable income that once they have Marketplace coverage, it's very important to report any household income changes within 30 days after they occur.

If they don't report these changes, they could miss out on savings or have to pay money back when they file their federal income tax return.

You can refer to the following resources for more information on estimating and reporting income on a Marketplace application:

- [How to estimate your expected income](#)
- [What to include as income-](#)
- [Reporting self-employment income to the Marketplace](#)
- [Publication 334, Tax Guide for Small Business](#)
- [Reporting income & household changes after you're enrolled](#)
- [Income Calculator](#)

Remember to refer consumers who need help estimating income and expenses to the Income Calculator, particularly if their income and expenses change throughout the year or are hard to estimate.

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