

---

Certified Public Accountants

## Health Coverage Requirement Under the Healthcare Act

Are you close with your tax professional? If you are not, you are going to be. In order to enforce the requirements of the Affordable Care Act, your tax preparer will need to report information on your individual tax return. In turn, this information will be used to calculate the penalty, if any, that you are required to pay, or what is otherwise known as the shared-responsibility payment.

### Individual Penalty

Here is how it works: the **individual** mandate to have health insurance went into effect on January 1, 2014. There is an exemption from the penalty for a gap in coverage of three months or less. There is also an exemption for those who purchased insurance through an exchange program between March 15 and March 31 (thus starting coverage on May 1, 2014). This gives a four month exemption to those participants who obtained insurance through an Exchange program. For those who obtained insurance elsewhere, only the three-month exemption applies.

If you do not have health insurance as outlined above, a penalty will be applied to your federal modified adjusted gross income for *each month* that you do not have health insurance or an exemption. If you have coverage for at least one day in a taxable year, then you don't owe a penalty for that month. The penalty for not having insurance in 2014 is \$95 per adult and \$47.50 per child (up to \$285 for a family) or 1% of your taxable income, **whichever is greater**. The penalty is set to increase annually to up to 2% of family income or \$975 in 2015, and up to 2.5% of family income or \$2,085 in 2016 and beyond.

Parents are responsible to provide coverage for themselves and their dependents. You can get coverage for any or all of your dependents, and pay the penalty for anybody who is not covered, if you choose.

### Proof of Coverage

Health insurance plans will provide proof of coverage for their customers. Recently issued Code Sections 6055 and 6056 provide guidance on the form of this proof of coverage. Basically, the evidence will report information that will allow taxpayers to establish and the IRS to verify that the taxpayer was covered by minimum essential coverage and their months of enrollment during a calendar year. Self-insured employers are also subject to the reporting requirements.

The most common types of insurance that will qualify for minimum essential coverage includes:

- Employer-sponsored coverage
- Coverage purchased in the individual market, including a health plan offered through an Exchange program
- Medicare or medicaid

A plan which provides only limited benefits, such as coverage only for vision or dental care, family planning, workers' compensation or disability policies do not count as minimum essential coverage.

### Noncompliance

According to the website [www.obamacarefacts.com](http://www.obamacarefacts.com), the only way for the IRS to collect the fee for not having health insurance is for them to withhold the money from your tax refund, if any. The IRS cannot enforce the Individual Shared Responsibility provision with jail time, liens, or any other of the typical methods of collection.

Bottom line, come time to filing your 2014 tax return, be prepared for more questions from your tax professional. VT Williams & Associates, LLP is dedicated to keeping you and your business in compliance with the Healthcare Mandate and will keep you informed of any new changes in the law and reminders of deadlines as they come along.