**The ACA often called Obama Care will affect everyone in one way or another this 2014 tax filing season.**

By: Kim West Padgitt

Starting in 2014, the individual shared responsibility provision calls for each individual to have minimum essential coverage for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return called a shared responsibility payment. This is a very complicated program to administer and so we need to let you know that The Tax Advantage staff will be available to help walk you through the mind field that is the Affordable Care Act/Obama Care. This article will cover the three essentials and is only a summary of some of the highlights.

1. Minimum Essential Coverage
2. Reporting Coverage and or exemptions
3. Making a Shared Responsibility payment if need be.

Since the affordable care act often called Obama care is administered through the IRS and the IRS is going to use your tax return as the document that proves you did or did not have the deemed appropriate coverage. Your tax professional will be asking additional questions this tax season all pertaining to Obama Care. Here is a sample of some of the questions **we are required to ask each tax payer this year.**

*Samples Questions:*

* Do you have coverage?
* Did your employer or insurance provider send you a form showing your coverage meet the minimum requirements and verifying how many months you had the coverage?
* Did you have coverage every month of 2014 for all folks in your household?

The answer to these questions will help us correctly report to the IRS whether or not you had minimum essential coverage and if you had that coverage all year for all folks in your household. It will also help us determine whether or not you need to make a shared responsibility payment with your return. ***Do not worry; the shared responsibility payments are not that big a deal for 2014.***

***Minimum Essential Coverage***

If you and your family need to acquire minimum essential coverage, you may have several options.  They include:

* Health insurance coverage provided by your employer,
* Health insurance purchased through the [Health Insurance Marketplace](http://www.irs.gov/uac/Newsroom/The-Health-Insurance-Marketplace) in the area where you live, where you may qualify for financial assistance,
* Coverage provided under a government-sponsored program for which you are eligible (including Medicare, Medicaid, and health care programs for veterans),
* Health insurance purchased directly from an insurance company
* Other health insurance coverage that is recognized by the Department of Health & Human Services as minimum essential coverage. U.S. citizens, who are residents of a foreign country for an entire year, and residents of U.S. territories, are deemed to have minimum essential coverage.
* Reporting Coverage or Exemptions
* The individual shared responsibility provision went into effect in 2014. You won’t need to report minimum essential coverage or exemptions or make any individual shared responsibility payment until you file your 2014 federal income tax return in 2015.

Did you get your coverage through an exchange and if so did you receive a subsidy? If a subsidy was received we now need to make sure you qualified for that subsidy. And if you do not qualify, you will need to pay the government back with your return.

***Making a Payment***

If you or any of your dependents did not have minimum essential coverage and did not qualify for an exemption, you will need to make an individual shared responsibility payment on your tax return. The government points out that it is important to remember that choosing to make the individual shared responsibility payment instead of purchasing minimum essential coverage means you will also have to pay the entire cost of all your medical care. You won't be protected from the kind of very high medical bills that can sometimes lead to bankruptcy.

If you must make an individual shared responsibility payment, the annual payment amount is the greater of a percentage of your household income or a flat dollar amount, but is capped at the national average premium for a bronze level health plan available through the Marketplace. You will owe 1/12th of the annual payment for each month you or your dependent(s) don’t have either coverage or an exemption.

For 2014, the annual payment amount is:

* The greater of:
	+ 1 percent of your household income that is above the tax return filing threshold for your filing status, or
	+ Your family's flat dollar amount, which is $95 per adult and $47.50 per child, limited to a family maximum of $285,
* But capped at the cost of the national average premium for a bronze level health plan available through the Marketplace in 2014.
* The percentages and flat dollar amounts increase over the first three years. In 2015, the income percentage increases to 2 percent of household income and the flat dollar amount increases to $325 per adult ($162.50 per child under 18). In 2016, these figures increase to 2.5 percent of household income and $695 per adult ($347.50 per child under 18). After 2016, these figures increase with inflation.

Footnote: Some of the above information was obtained from the IRS.gov website.