



# Advanced Premium Tax Credit (APTC) Reconciliation

## OA-HIPP Requirements

### Background

All individuals enrolling or re-enrolling in a Covered California health insurance plan must report a projected household income for the following year. If the individual's projected income is between 100 and 400% FPL, he/she is eligible for Advanced Premium Tax Credit (APTC) assistance. The federal government uses the projected income that is reported to Covered California to pay the APTC in advance directly to the health plan on a monthly basis. Therefore, anyone who received an APTC **must** file a federal tax return and reconcile their actual income over the year in which the APTC was received with the projected income.

### Advanced Premium Tax Credit Reconciliation

The reconciliation process compares the *projected* income the individual reported when he/she first enrolled in the Covered California plan to the *actual* amount of income reported on the federal tax return for the year in which he/she received the APTC. Here's how it works:

- If an individual overestimated his/her 2014 income then he/she would have received less in APTC for the year. Therefore, after the individual reports his/her actual income, he/she will receive a net premium tax credit to account for the underpaid APTC.
- If an individual underestimated his/her projected income, he/she would have received too much APTC. Therefore, he/she will need to pay the excess amount of APTC in the form of a tax liability to account for the overpayment.

### Reconciliation Steps

#### Step 1

Anyone who received or was eligible for an APTC, should have received [IRS Form 1095-A](#) from Covered California by January 31, 2015. This form includes information on how much the individual received in APTC for the year. Some individuals received this form with incorrect information. Covered California contacted these individuals via letter and email by the second week of February. Amended forms were sent by February 27, 2015.

Form <b>1095-A</b>		<b>Health Insurance Marketplace Statement</b>		OMB No. 1545-2232
Department of the Treasury Internal Revenue Service		▶ Information about Form 1095-A and its separate instructions Is at <a href="http://www.irs.gov/form1095a">www.irs.gov/form1095a</a> .		<input type="checkbox"/> CORRECTED <b>2014</b>
<b>Part I</b> Recipient Information				
1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name		
4 Recipient's name	5 Recipient's SSN	6 Recipient's date of birth		
7 Recipient's spouse's name	8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth		
10 Policy start date	11 Policy termination date	12 Street address (including apartment no.)		
13 City or town	14 State or province	15 Country and ZIP or foreign postal code		

#### Step 2:

Anyone who received or was eligible for an APTC must file federal taxes. When doing so, the individual will need to fill out [IRS Form 8962](#) to document the amount of APTC received (indicated on IRS Form 1095-A) and the actual amount of income for that year.

Form <b>8962</b>		<b>Premium Tax Credit (PTC)</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040A, or 1040NR. ▶ Information about Form 8962 and its separate instructions is at <a href="http://www.irs.gov/form8962">www.irs.gov/form8962</a> .		<b>2014</b> Attachment Sequence No. <b>73</b>
Name shown on your return		Your social security number		Relief (see instructions) <input type="checkbox"/>
<b>Part 1: Annual and Monthly Contribution Amount</b>				
1	Family Size: Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d . . . . .			1
2a	Modified AGI: Enter your modified AGI (see instructions) . . . . .	2a	b Enter total of your dependents' modified AGI (see instructions) . . . . .	2b
3	Household Income: Add the amounts on lines 2a and 2b . . . . .			3
4	Federal Poverty Line: Enter the federal poverty amount as determined by the family size on line 1 and the federal poverty table for your state of residence during the tax year (see instructions). Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC . . . . .			4
5	Household Income as a Percentage of Federal Poverty Line: Divide line 3 by line 4. Enter the result rounded to a whole percentage. (For example, for 1.542 enter the result as 154, for 1.549 enter as 155.) (See instructions for special rules.) . . . . .			5
6	Is the result entered on line 5 less than or equal to 400%? (See instructions if the result is less than 100%.) <input type="checkbox"/> Yes. Continue to line 7. <input type="checkbox"/> No. You are not eligible to receive PTC. If you received advance payment of PTC, see the instructions for how to report your Excess Advance PTC Repayment amount.			9

**Disclaimer:** The information in this reference tool was compiled by ADAP from various sources such as Covered California, National Alliance of State & Territorial AIDS Directors (NASTAD), and the IRS website. Final authority on tax filing guidance comes from the IRS.

**Step 3**

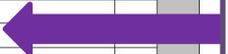
When an individual files his/her federal tax return, specified boxes will indicate either money owed to the client as an IRS net premium tax credit (Line 69 on IRS Form 1040) or money owed to the IRS because of an excess APTC repayment (Line 46 on IRS Form 1040). It is important to note that tax liabilities and refunds are assessed in the aggregate. This means that if an individual owes the IRS an amount because of a premium tax credit overpayment, the IRS will first look to see whether there are other refunds owed to the individual and take the payment directly out of those refunds. Conversely, if an individual is owed a refund by the IRS because of a premium tax credit underpayment, the IRS will first look to see whether the individual owes other tax liabilities for that year and apply the refund to those liabilities. Please note that married individuals must file their federal taxes jointly if they received an APTC; even if they were enrolled in different plans.

**Report Changes To Covered California**

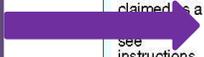
It is critical that individuals report changes to Covered California throughout the year to avoid underpayment or overpayment of APTC. A client should notify Covered California if he/she gets married or divorced, gains or loses a dependent, has a change in income, or experiences other changes that may affect the household income or household size. Clients should report changes within 30 days of change by calling Covered California at (800) 300-1506.

<b>Payments</b>	64	Federal income tax withheld from Forms W-2 and 1099	64
	65	2014 estimated tax payments and amount applied from 2013 return	65
	<b>66a</b>	<b>Earned income credit (EIC)</b>	<b>66a</b>
	<b>b</b>	Nontaxable combat pay election <b>66b</b>	
	67	Additional child tax credit. Attach Schedule 8812	67
	68	American opportunity credit from Form 8863, line 8	68
	69	Net premium tax credit. Attach Form 8962	69
	70	Amount paid with request for extension to file	70
	71	Excess social security and tier 1 RRTA tax withheld	71
	72	Credit for federal tax on fuels. Attach Form 4136	72
	73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/>	73
	74	Add lines 64, 65, 66a, and 67 through 73. These are your <b>total payments</b>	74
<b>Refund</b>	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you <b>overpaid</b>	75
	76a	Amount of line 75 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	76a
Direct deposit? See instructions.	<b>b</b>	Routing number <input type="text"/> <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	<b>d</b>	Account number <input type="text"/>	
	77	Amount of line 75 you want <b>applied to your 2015 estimated tax</b>	77

Line 69 on IRS Form 1040 indicates net premium tax credit (amount owed to OA-HIPP)



Line 46 on IRS Form 1040 indicates excess premium tax credits a person owes to the IRS



Form 1040 (2014)		38	Amount from line 37 (adjusted gross income)	38
<b>Tax and Credits</b>		39a	Check <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a	
		<b>b</b>	If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b	
<b>Standard Deduction for—</b>		40	Itemized deductions (from Schedule A) or your <b>standard deduction</b> (see left margin)	40
• People who check any box on line 39a or 39b or who can be claimed as a dependent on someone else's return. See instructions.		41	Subtract line 40 from line 38	41
		42	<b>Exemptions.</b> If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions	42
		43	<b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43
		44	<b>Tax</b> (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44
		45	<b>Alternative minimum tax</b> (see instructions). Attach Form 6251	45
		46	Excess advance premium tax credit repayment. Attach Form 8962	46
		47	Add lines 44, 45, and 46	47

**Step 4**

Every client who was enrolled in a Covered California health plan and co-enrolled in OA-HIPP in 2014, must submit a copy of his/her signed 2014 tax return and IRS Form 8962 during his/her OA-HIPP re-enrollment or recertification, whichever comes first after his/her taxes are done. OA-HIPP re-enrollment occurs during the client's birth month and recertification occurs six months after. If a client is identified as having a net premium tax credit (Line 69 on the 1040), the client will receive a letter from OA-HIPP stating that the net premium tax credit amount must be returned to OA-HIPP in the form of a cashier's check or money order and mailed to:

CDPH Insurance Assistance Section  
P.O. Box 997426, MS 7704  
Sacramento, CA 95899-7426

At this time, per our federal funder Health Resources and Services Administration, OA-HIPP will not be able to assist with clients' tax liabilities (Line 46 on IRS Form 1040). If we receive guidance stating otherwise, we will notify all enrollment workers.

Amount of Premium Tax Credit Overpayment Owed to IRS is Capped		
Income	Single Filers	All Other Filers
< 200% FPL	\$300	\$600
At least 200% FPL and < 300% FPL	\$750	\$1,500
At least 300% FPL and < 400% FPL	\$1,250	\$2,500
400% FPL and greater	N/A	N/A

**Summary of Steps**

1. Receive IRS Form 1095-A from Covered California;
2. Complete IRS Form 8962 and file federal taxes;
3. Submit signed copy of 2014 federal tax return & IRS Form 8962 to OA-HIPP;
4. If there is an IRS refund indicated on Line 69 on IRS Form 1040, it must be returned to OA-HIPP;
5. If a client has any changes in his/her income and/or household size, he/she must report it to Covered California and subsequently to OA-HIPP.

**Helpful Resources**

- IRS & HealthCare.gov Resources
  - Health Care Law: <http://www.irs.gov/pub/irs-pdf/p5187.pdf>
  - Affordable Care Act and taxes: <https://www.healthcare.gov/taxes/>
  - Free assistance with filing federal taxes: <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>
- Covered California
  - FAQ's regarding tax credits: <http://www.coveredca.com/faqs/Tax-Credits/>
- OA-HIPP
  - Management Memo 2015-01 Regarding APTC Reconciliation: <http://www.cdph.ca.gov/programs/aids/Documents/OA-HIPPMemorandum2015-01.pdf>