

ST14-21b – Affordable Care Act (ACA) TaxWise Procedures

You must apply the updates from Pub 4491-X to your copy of Pub 4012 before proceeding.

‡ For exemptions, we reference the Quick Reference Guide from the NTTCC (full name: “Affordable Care Act Exemptions – 2014 Quick Reference Guide”) instead of Pub 4012, Page ACA-5. (Available on the Preparer page)

Follow the steps below to complete the ACA part of the return:

Part/Line #	Counselor Action	TW Action
Step 1 – Interview taxpayer and Complete health insurance section of Intake Sheet		
Part IV	<p>For taxpayer, spouse, and each dependent, check the appropriate box on Intake Sheet – Had Health Care Coverage:</p> <ul style="list-style-type: none"> - For the entire year - For part of the year - No health insurance at all - Qualify for an exemption <p>Note: Use “ACA Information Requirements” to:</p> <ul style="list-style-type: none"> - Help answer the above questions, - Make sure you have information needed to finish the return, and to - Identify potential out of scope situations 	
Step 2 – Complete rest of tax return (and run diagnostics) before dealing with ACA		
Sch A A Detail	<p>Do NOT include any amount for premiums related to Marketplace policies on the A Detail screen yet – form 8962 needs to be completed to get the correct amount. (Any manual adjustments to NJ-1040 Line 30 should also be deferred.)</p> <p>All the other items for Sch A and A Detail should be included as usual (including any co-pay amounts for Marketplace policies).</p>	
Main Info	<p>If the taxpayer (AND spouse if MFJ) can be claimed as a dependent on someone else’s return, then all ACA issues will end up being dealt with on the return of the person claiming the taxpayer (or spouse) as a dependent.</p> <p><u>In this case:</u></p> <ul style="list-style-type: none"> - Ensure that the box on the Main Info screen is checked to indicate that taxpayer (and spouse) can be claimed on another person’s return. - STOP – You’re done with ACA for this return. 	ACA Wkt will not be red in forms tree since no ACA action is required on this tax return

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Step 3 – 1040 ACA Wkt – Starting point for ACA		
Lines for taxpayer, spouse & each dependent		TW populates the names of the taxpayer, spouse, and dependents with codes 1, 2, or 3 on Main Info screen TW will not include any non-dependent with code of 0 since, for ACA purposes, that person is the responsibility of the taxpayer who claims him/her as a dependent
• First row of boxes for each person	For each person listed: Check Full box if person had MEC for at least 1 day of every month (whether through the Marketplace or through any other coverage)	If Full box is checked for every person, TW will check box labeled "Full-year coverage" on 1040 line 61.
	For each person listed: Check Mkt box if the person had health insurance through the Marketplace for any part of any month during the year	TW populates Form 8962 in forms tree if Mkt box is checked for any person
	Frequently, the whole family will have MEC all year (Full box is checked for every person listed), and no one will have purchased their coverage through the Marketplace (Mkt box is not checked for any person listed) so no additional ACA forms need to be completed. In this case: STOP – You're done with ACA for this return	
	For each person listed: Check Exm box if you think the person might qualify for an exemption for at least one month during the year (see Quick Reference Guide‡)	TW populates Form 8965 in forms tree
	Do NOT check any Monthly boxes at this point.	
• Second row of boxes for each person		TW automatically checks boxes for months in which each person was under the age of 18 at the beginning of the month (ISRPs amounts are lower for a person under age 18)
• Line 7 (top box)	For purposes of the ISRPs on the ACA Wkt and exemptions on Form 8965, MAGI = AGI (line 37) + tax-exempt interest (line 8b) + foreign earned income (out of scope for us)	TW calculates the taxpayer and spouse part of household income, based on the numbers on the tax return, and populates the top box on line 7. Their part of household income equals their Modified Adjusted Gross Income (MAGI)
• Line 7 (lower box)	Enter the total MAGI for all dependents listed on the ACA Wkt who have income above the filing requirement thresholds shown on Pub 4012, Page ACA-7. (Note: Use a Scratch Pad to document this) Do not include MAGI for dependents with income below these thresholds – even if they must or should file for other reasons	TW will add the dependents' MAGI you entered to the taxpayer/spouse MAGI it calculated. The top box on line 7 will now be household income for everyone in the tax family

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Step 4 – Form 8965 – If Exm box is checked for any person on ACA Wkt, Form 8965 must be completed to claim an exemption (Skip this step entirely if Exm box is not checked for any listed person on 1040 ACA Wkt)		
Part I	Marketplace-Granted Coverage Exemptions for Individuals (shown in a letter that taxpayer should have received from the Marketplace)	
• Column a, b, c	List the name, SSN, and the Exemption certificate number of any person who applied for and was granted an exemption from the Marketplace	
Part II		
• Filing threshold		TW determines the filing threshold based on the filing status and ages of the taxpayer and spouse
• Household income from ACA Wkt		TW transfers the household income from 1040 ACA Wkt line 7
• Gross income		TW calculates the gross income on this return. Gross income does not include any dependents' income. It also includes only the income from Sch C (no expenses) and no capital losses from Sch D
• Line 7a	Use the numbers in the above boxes to determine if household income is below the filing threshold – check either Yes or No.	
	If Line 7a was marked Yes, taxpayer can claim a full-year exemption for the entire tax family. In this case, we don't need to do anything else on 8965 and we can Skip directly to Step 5	
• Line 7b	Use the numbers in the above boxes to determine if gross income is below the filing threshold – check either Yes or No.	
	If Line 7b was marked Yes, taxpayer can claim a full-year exemption for the entire tax family. In this case, we don't need to do anything else on 8965 and we can Skip directly to Step 5	

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<p>Part III</p>	<p>• Lines 8 - 13</p> <p>Check the Quick Reference Guide† to determine if any member of the tax household qualifies for any other exemption.</p> <p>If an exemption can be claimed on the tax return, enter the person’s name, Social Security number, and exemption code. Check the Full box if the exemption is for the entire year, or check the boxes for the months for which the exemption applies.</p> <p>If an exemption must be granted by the Marketplace, refer the client to healthcare.gov</p> <p>Note: The “Affordability” exemptions (Code A or Code G) involves some unusual information requirements and some fairly complex (and time consuming) analysis – only those with time and a thorough understanding of the issues should attempt this. There is a link on the Preparer page to a tool (ACA Affordability Calculator) that can help with this.</p>	
		<p>Note: Entries on the TW 8965 screen for exemptions are required to document any exemptions claimed on the return, but do NOT affect the checked boxes and resulting ISRP calculations on the 1040 ACA Wkt. You must manually make sure that the top part of the 1040 ACA Wkt is filled in consistently with your entries on the 8965 screen – this is done in the next Step.</p>

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Step 5 – Finish 1040 ACA Wkt – If any person listed on 1040 ACA Wkt does not have insurance and does not qualify for an exemption for any month, the top of the 1040 ACA Wkt must be completed correctly to control the calculation of the Individual Shared Responsibility Payment (ISRP)		
	<p>Once you have determined if there are any applicable exemptions, you must complete the top of the 1040 ACA Wkt.</p> <ul style="list-style-type: none"> - Check None for any person who had no MEC and no exemption all year (uncheck the Exm box if it is checked) - Check the appropriate Monthly box(es) for any person who had no MEC and no exemption for that month. - For any person who does not have the Full box checked and who can claim an exemption for at least one month, make sure the Exm box is checked 	<p>TW calculates Individual Shared Responsibility Payment (ISRP) at bottom of ACA Wkt – every line with the None box checked or any Monthly boxes checked will add \$\$ to the ISRP</p> <p>Note: When you check the None box, TW does not automatically check any Monthly boxes, but does automatically update the calculated boxes at the bottom of the screen as if all 12 Monthly boxes were checked</p>
• Lines 1 - 4		TW totals up the number of children and the number of adults who will be subject to ISRP for each month
• Line 5		TW calculates the total ISRP based on the flat dollar amount (\$95 per adult, 1/2 that amount per child, maximum of \$285)
• Lines 6 - 10		TW calculates the total ISRP based on 1% of household income that is above the filing threshold for taxpayer's filing status
• Lines 11 - 14		<p>TW calculates the higher of the flat dollar amount or 1% of income above the filing threshold</p> <p>The ISRP is capped at the cost of the national average premium for the bronze level health plan available through the Marketplace for 2014 (see Pub 4012 Page ACA-10)</p> <p>TW transfers the ISRP to 1040 line 61 in the Other Taxes section</p>

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<p>Step 6 – Form 8962 – If Mkt is checked for any person on ACA Wkt, Form 8962 must be completed to calculate the Premium Tax Credit (PTC) and to reconcile the actual PTC with any Advance PTC payments sent to the health insurance company during the year to help offset the premiums (Skip this step entirely if Mkt box is not checked for any listed person on 1040 ACA Wkt)</p>		
<p>"Check here if applying for relief" line</p>	<p>Generally, a person filing as Married Filing Separately is not eligible to claim the PTC. However, there can be an exception if the person is an abandoned spouse or a victim of domestic violence. To claim this exception to the MFJ requirement, check the line at the top of Form 8962</p>	
<p>Part 1</p>		
<p>• Line 1</p>		<p>TW calculates the family size, based on taxpayer, spouse and dependents. (Does not include any person listed on Main Info screen with a code of 0 for nondependent)</p>
<p>• Line 2a</p>	<p>For purposes of the PTC calculation on form 8962, MAGI = AGI (line 37) + tax-exempt interest (line 8b) + tax exempt part of Social Security (line 20a – 20b) + foreign earned income (out of scope for us)</p>	<p>TW calculates the MAGI for the taxpayer and spouse, based on the numbers on the tax return NOTE: Definition of MAGI is different for PTC than it is for ISR/PTC exemptions: PTC MAGI also includes tax-exempt part of Social Security</p>
<p>• Line 2b</p>	<p>Enter the total MAGI for all dependents listed on the ACA Wkt who have income above the filing requirement thresholds shown on Pub 4012, Page ACA-7. (Note: Use a Scratch Pad to document this) Do not include MAGI for dependents with income below these thresholds – even if they must or should file for other reasons</p>	<p>TW cannot transfer the MAGI for dependents from ACA Wkt line 7, since the definition of MAGI on the ACA Wkt is different than the definition of MAGI on Form 8962. Therefore, counselor must calculate dependents' MAGI for PTC and enter on line 2b</p>
<p>• Line 3</p>		<p>TW calculates household income by adding MAGI from lines 2a + 2b</p>
<p>• Line 4</p>	<p>Check box for "Other 48 states and DC"</p>	<p>TW populates the Federal poverty line (FPL) appropriate for NJ</p>
<p>• Line 5</p>		<p>TW calculates the % of FPL for the household income</p>
<p>• Line 6</p>	<p>If the calculated answer on line 6 is No, then taxpayer is not eligible for PTC: If taxpayer received advance payment of PTC, Skip lines 7 and 8 and go to line 9 If taxpayer did not receive any advance payment of PTC, STOP – you're done with ACA</p>	<p>TW checks YES or NO to question "Is % on line 5 less than or equal to 400%?" If answer is YES, TW will continue to calculate PTC</p>

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	<p>If % on line 5 is less than 100%, answer the question, "Did the taxpayer qualify for the PTC under the requirements in the instructions?"</p> <p>See 8962 instructions on irs.gov for specific requirements</p> <p>If the answer to this question is No, STOP – you're done with ACA</p>	
• Lines 7 & 8		TW calculates the annual and monthly contribution amounts for health care
Part 2		
• Line 9	<p>Answer YES or NO to the question, "Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation?" (See Pub 4012 Page ACA-11 for questions to ask client to determine proper answer)</p> <ul style="list-style-type: none"> - A shared policy is a Marketplace policy (and associated 1095-A) that covers at least one individual in the taxpayer's tax family AND covers at least one individual not in the taxpayer's tax family for ACA purposes. (see Page ACA-11 for details) - When taxpayers with Marketplace coverage marry during the tax year, there is an optional alternative calculation method for reconciling advance PTC payments. This alternative method may increase their refund. (see Page ACA-12 for details) 	
	<p>If Line 9 is answered Yes, then STOP – The return is out of scope</p>	
• Line 10	<p>Answer YES or NO to the question, "Did all Forms 1095-A include coverage for January - December with no changes in monthly amounts on line 21 - 32 Columns A and B?"</p> <p>If answer is YES, PTC calculations can be done an annual basis</p> <p>If answer is NO, PTC calculations must be done for each month separately</p>	
• Line 11	<p>If answer on line 10 is YES, enter the sum of the annual figures shown on all Forms 1095-A. (Columns A, B, C on form go in Columns A, B, F on the screen)</p> <p>NOTE: If more than one 1095-A, use a scratch pad to document the amount used from each 1095-A for each value entered</p>	TW calculates annual figures for Columns C, D and E

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<ul style="list-style-type: none"> • Lines 12 - 23 	<p>If answer on line 10 is NO, enter the sum of the monthly figures shown on all Forms 1095-A. (Columns A, B, C on form go in Columns A, B, F on the screen) NOTE: If more than 1095-A, use a scratch pad to document the amount used from each 1095-A for each unique value entered</p>	<p>TW calculates monthly figures for Columns C, D and E</p>
<ul style="list-style-type: none"> • Line 24 		<p>TW calculates the amount of the PTC taxpayer is entitled to based on tax return figures</p>
<ul style="list-style-type: none"> • Line 25 		<p>TW calculates the amount of Advance PTC that was paid to taxpayer's health insurance company during the tax year</p>
<ul style="list-style-type: none"> • Line 26 		<p>If the calculated actual PTC amount is larger than the Advance PTC amount, TW calculates the net PTC that taxpayer will receive on 1040 line 69 as a refundable credit</p>
<p>Part 3</p>		
<ul style="list-style-type: none"> • Line 27 		<p>If the calculated actual PTC amount is less than the Advance PTC amount, TW calculates the excess advance PTC</p>
<ul style="list-style-type: none"> • Line 28 		<p>Taxpayer may not have to repay the entire excess advance PTC depending on income as % of FPL and filing status (see Pub 4012, Pg. ACA-12). TW populates the repayment limitation</p>
<ul style="list-style-type: none"> • Line 29 		<p>TW populates the amount of excess advance PTC and transfers the amount to 1040 line 46 as an additional tax owed</p>
<p>Medical expenses:</p> <ul style="list-style-type: none"> • A Detail • NJ Line 30 	<p>The Marketplace premium amount to claim will be Total Premiums (Form 8962 line 11a or the sum of lines 12a-23a) minus the calculated PTC (Form 8962 line 24)</p> <ul style="list-style-type: none"> - Enter the Marketplace premium amount on the A Detail screen - If you deferred manual adjustments to NJ-1040, Line 30, make the adjustments now 	