



Rhode Island Ryan White Program

Vigorously Pursuit of Tax Credits

Policy and Procedures

Tax penalties for non-enrollment, and exemptions

Starting in 2014 all individuals are responsible to have health coverage or pay a tax penalty. For those ADAP enrollees who were enrolled through the Rhode Island Health Insurance Marketplace (HealthSource RI) the IRS will be responsible for reconciling the amounts of tax credits received through HSRI with the amount each taxpayer was entitled to. Depending on the results of this reconciliation, some members may be asked to repay any amount in excess of what they were entitled to receive. That is why it is important to report changes in income to HSRI as they happen to prevent any overpayment of tax credits.

If an ADAP member had health insurance coverage for any portion of 2014, they will receive a **form 1095-B** from their health insurer. Employer-sponsored group health plans; other private insurers, and public programs such as Medicaid and CHIP will provide this form to each of their enrollees indicating the months you were covered by them for 2014. If an individual was covered for the entire year, they will be able to check a box indicating they were continuously covered and will not have to pay a penalty for lacking health insurance under the ACA individual coverage mandate. However, they may still owe money if the IRS overpaid on their behalf.

If an individual was not covered for any period during 2014, they will be subject to the individual mandate penalty. However, they may be exempt from the penalty if they:

- cannot afford coverage (defined as those who would pay more than 8 percent of their household income for the lowest cost bronze plan available to them through the Marketplace)
- are not a U.S. citizen, a U.S. national, or a resident alien lawfully present in the U.S.
- had a gap in coverage for less than 3 consecutive months during the year
- won't file a tax return because their income is below the tax filing threshold (In 2014 the tax filing thresholds are \$10,150 for individuals and \$20,300 for married persons filing a joint return)
- participate in a health care sharing ministry or are a member of a recognized religious sect with objections to health insurance
- are a member of a federally recognized Indian tribe
- are incarcerated

An individual may have had to apply directly to HSRI to receive certain exemptions. They have until the end of the calendar year for which they wish to receive an exemption to apply and it often requires a paper application submitted directly to the Marketplace. Local insurance staff can help individuals apply for the tax credits and exemptions through HSRI. Unless an individual is "Categorically Ineligible" to receive tax credits (undocumented immigrant, over 400% of Federal Poverty Level, etc), they were probably applied to receive your tax credits applied to their monthly premium as a requirement of participating in the RI ADAP Health Insurance Assistance Program. ***If an individual was enrolled in employer-based coverage for the entire year, they will not need to reconcile any tax credits or pay a penalty. You should be able to file your taxes as you have in the past.***

An individual can claim some exemptions on the income tax return. If they make enough money to be required to file taxes, they will also need to file a new IRS **Form 8965** to seek an exemption. Those who obtained an exemption from HSRI will need to note the exemption certificate number on this form in order to receive the exemption when it is time to file. The exemption for people who don't earn enough to file taxes is automatic.

Filing Taxes, and Reconciling Tax Credits

Any individual enrolled in insurance through HSRI that was paid for by RI ADAP's Health Insurance Premium Assistance Program during 2014, is **required** to file a federal income tax return for 2014, even if they don't owe taxes. The Advance Premium Tax Credit received at enrollment is an advanced payment that was based on their estimated household income for the year, but the final tax credit they are eligible for is based on their actual income for the year. The tax return is the place where the IRS will reconcile these two amounts to determine any amounts paid in excess of what an individual was eligible for, or vice versa.

Every year, all marketplace insurance clients should receive a **Form 1095-A** from HSRI. This form will indicate the amount of APTC paid to insurers on the consumer's behalf during the year. Information on this form will also be reported to the IRS.

Individuals who received insurance through HSRI will have to file a new form with their income tax return – **Form 8962**. Instructions for this form explain how to calculate the amount of their 2014 premium tax credit eligibility based on the income reported on their tax return, as well as any overpayment or underpayment that may have occurred. Consumers who over-estimated their income and didn't receive all of the APTC they were eligible for can receive the remainder as a tax refund. **Keep in mind that since ADAP has been paying their monthly premium, any credit received for underpayment of tax credits is owed to the ADAP program and must be returned to have continued eligibility for our services.** Those who under-estimated their income and received too much APTC may have to pay some or all of it back. There are limits on subsidy repayment under the ACA for those whose 2014 income was 400% of the federal poverty level or less. Consumers whose income exceeded 400% of the federal poverty level must repay the entire amount of APTC received in 2014, and are not eligible for premium assistance with the Rhode Island ADAP.

Repayment Limits for Advance Premium Tax Credits, 2014

<i>Income as percentage of poverty line</i>	<i>Annual income for an individual</i>	<i>Repayment limit for an individual</i>	<i>Annual income for a family of four</i>	<i>Repayment limit for married taxpayers filing jointly</i>
Under 200%	Under \$22,980	\$300	Under \$47,100	\$600
At least 200% but less than 300%	\$22,980 – \$34,470	\$750	\$47,100 – \$70,650	\$1,500
At least 300% but less than 400%	\$34,470 – \$45,960	\$1,250	\$70,650 – \$94,200	\$2,500
400% and above	\$45,960 or more	Full amount	\$94,200 or more	Full amount

***Table pulled from the Kaiser Family Foundation Website

Reconciliation of Premium Tax Credits and Vigorous Pursuit of excess premium tax credits:

Policy Clarification Notice (PCN) #14-01 Revised 4/3/2015

As discussed above, it is possible that a client's actual premium tax credit calculated on the tax return is more than the client's APTC resulting in the client receiving excess premium tax credit either through a reduction in overall tax liability or a refund from the IRS. Rhode Island ADAP and its contractors that use program funds to

purchase health insurance in the Marketplace must establish appropriate mechanisms to vigorously pursue any excess premium tax credit a client receives from the IRS. RWHAP grantees and subgrantees must establish and maintain policies and procedures for the pursuit of excess premium tax credit from individual clients. Grantees and subgrantees must document the steps that were taken to pursue these funds from clients.

Recovered excess premium tax credits are considered insurance refunds, not program income. As such, recovered excess premium tax credits in the Health Insurance Premium and Cost-sharing Assistance service category will be signed over to the RI ADAP Program.

Rhode Island ADAP does require its marketplace members to file taxes. The ADAP application, as well as letters sent to clients in February of each year will reiterate this requirement.

Requirement of tax returns to confirm reconciliation, and identification of potential revenue due back to the ADAP:

Beginning with recertification applications due in January 2015, RI ADAP will require all HIP members enrolled in insurance through HSRI to submit relevant pages of their tax filing for the previous year. Additional enrollees in HSRI may not have had an advance premium credit applied and may be eligible for a premium tax credit after the fact, and a larger sum of money may be returned directly to the client.

Revenue returned to the HIP enrollee, or demand for payment from the IRS from a HIP enrollee, will be reviewed to determine if the payment or tax bill is due to a failure to report changes to income. If revenue should be returned to the ADAP, Rhode Island ADAP will submit a request for payment to the client via mail. If a payment is demanded by the IRS due to their overpayment of an APTC, a separate process is in place to request assistance with this bill (see “payment of client tax burden owed to the IRS” below). At this time, Rhode Island ADAP has not committed to assist clients with such payments for the 2014 tax year.

While this policy is in place, we still need to address additional issues if the clients do not do as instructed.

The Rhode Island ADAP Advisory Committee will be addressing the following concerns/ issues at its September or October meeting:

- What will the penalty be for those who fail to return this money? – e.g. institute repayment plans, assess whether they had basic unmet needs that drove the decision?
- Refunds that would normally be made to the client due to reconciliation of APTC will be seized by the IRS for clients who have historically not submitted taxes to reconcile previous tax debt. Is there anything that Rhode Island ADAP can, or should do in this regard?
- What will the policy be for those who do not file taxes as instructed? Will we: 1) continue to purchase them insurance without APTC or cost share reductions at full cost; 2) continue to purchase them marketplace insurance and make them pay the portion of the premium and copays that they would otherwise get through the cost share reductions and APTC; 3) only provide them with basic ADAP drugs without wrap around medical costs?

Payment of client tax burden owed to the IRS

Policy Clarification Notice (PCN) #14-01 Revised 4/3/2015 also gives ADAPs the option to pay client tax burdens resulting from an overpayment by the IRS of their APTC.

“RWHAP grantees and subgrantees are responsible for establishing and maintaining policies and procedures for coordinating such payments to the IRS since RWHAP grantees and subgrantees are prohibited from making any direct payments to clients.⁹ This payment to the IRS must be made from funds available in the year when the tax liability is due, even if the premiums that generated the tax liability were incurred in a previous funding year. However, under no circumstances can RWHAP funds be used to pay the fee (i.e., shared responsibility payment) for a client’s failure to enroll in minimum essential coverage or any other tax liability owed by the client that is not directly attributed to the reconciliation of the premium tax credits.”

Rhode Island ADAP Policy:

All enrollees in the HIP on marketplace plans sign a document that acknowledges that they are responsible for reporting changes in income that exceed 10% of their pay to both HSRI and to their HIP enrollment agency (UMG, Immunology, AGAPE, ACOS or APRI). This enables HSRI to adjust the APTC paid by the IRS, and for HIP to make up the difference in the payment owed by the client. Rhode Island ADAP has opted not to pay the tax liability for enrollees in the Health Source RI health insurance marketplace who did not report changes to their income and now owe to the IRS.

The receipt of the guidance from HRSA allowing payment of this tax liability due to APTC was not received until late March of 2015. Since this date was relatively late in the 2014 tax season, many had already submitted their taxes, and in some cases, paid the amount due to the IRS. As noted, Ryan White legislation expressly forbids direct reimbursement to a client under any circumstance.

The IRS does a second tax reconciliation late in the fall prior to the next tax filing season, and the result of that reconciliation would be to determine that the client had paid too much, making them eligible for a tax refund at that time. While not ideal for the enrollee, they will eventually be made whole for the money they paid, thereby making the policy to pay for these tax liabilities available to all participants.