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From Olson Insurance



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Individual Insurance: Reporting Coverage and Paying Penalties

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A key provision of the Affordable Care Act (ACA) is the individual mandate, which requires most individuals to purchase health insurance coverage for themselves and their family members or pay a penalty.

Individuals will have to report on their federal tax return whether they had health insurance coverage or were exempt from the individual mandate. Any penalties that an individual owes for not having health insurance coverage will generally be assessed and collected in the same manner as taxes.

How will coverage be reported under the individual mandate?

When you file your federal tax return, you will have to:

- Report that you, your spouse (if filing jointly) and any individual you claim as a dependent had health care coverage that year; or

- Claim a coverage exemption from the individual mandate for some or all of the year and attach [Form 8965](#); or
- Pay an individual mandate penalty (called a shared responsibility payment) for any month the year that you, your spouse (if filing jointly) or any individual you claim as a dependent did not have coverage and did not qualify for a coverage exemption.

The federal tax return forms and instructions have been updated to include a line for reporting health care coverage under the individual mandate.

If you and your dependents all had minimum essential coverage for each month of the tax year, you will indicate this on your tax return by simply checking a box on Form 1040, 1040A or 1040EZ; no further action is required. If you obtained a coverage exemption from the Marketplace or you qualify for an exemption that you can claim on your return, you will file [Form 8965](#), and attach it to your tax return.

For any month you or your dependents did not have coverage or a coverage exemption, you will have to make a shared responsibility payment. The amount of the payment due will be reported on Form 1040, Line 61, in the "Other Taxes" section, and on the corresponding lines on Form 1040A and 1040EZ.

Who is exempt from the individual mandate?

You may be exempt from the individual mandate penalty if you:

- Cannot afford coverage
- Have an income below the federal income tax filing threshold
- Are not a citizen, are not considered a national or are not lawfully present in the United States
- Experience a gap in coverage for less than a continuous three-month period
- Qualify as a religious conscientious objector
- Are a member of a health care sharing ministry

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- Are a member of certain American Indian tribes
- Are given a hardship exemption by the Department of Health and Human Services
- Are incarcerated

How much will the individual mandate penalty cost me?

The penalty for not obtaining acceptable health care coverage is either a “flat dollar amount” or a “percentage of income amount”—whichever is greater.

For 2016, the annual penalty is either:

- 2.5 percent of your yearly household income; or
- \$695 per person for the year (\$347.50 for each child under age 18); maximum penalty per family using this method is \$2,085

For 2017 and subsequent years, the annual penalty will be adjusted for inflation.

Calculating your payment requires you to know your household income and your tax return filing threshold.

- **Household income** is the adjusted gross income from your tax return

plus any excludable foreign earned income and tax-exempt interest you receive during the taxable year. Household income also includes the adjusted gross incomes of all of your dependents who are required to file tax returns.

- **Tax return filing threshold** is the minimum amount of gross income an individual of your age and filing status (for example, single, married filing jointly, head of household) must make to be required to file a tax return.

2015 Federal Tax Filing Requirement Thresholds

Filing Status	Age	Must File a Return if Gross Income Exceeds
Single	Under 65	\$10,300
	65 or older	\$11,850
Head of Household	Under 65	\$13,250
	65 or older	\$14,800
Married Filing Jointly	Under 65 (both spouses)	\$20,600
	65 or older (one spouse)	\$21,850
	65 or older (both spouses)	\$23,100
Married Filing Separately	Any age	\$4,000
Qualifying Widow(er) with Dependent Children	Under 65	\$16,600
	65 or older	\$17,850

The IRS will generally assess and collect individual mandate penalties in the same manner as taxes, with certain limitations. As a result, any penalty under the individual mandate will likely be subtracted from the tax refund that the individual is owed, if any.

For additional assistance or more information, contact Olson Insurance today.

Source: Internal Revenue Service

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