

TAX LETTER

New Reporting Issues under Obama Care in 2015

About two years ago, Obama Care (Affordable Care Act or ACA) became law. 2015 will be the first year that we have to deal with the reporting requirement set-up by the IRS. There are two groups of specially designed new IRS Forms that we need to be familiar with.

Group-A: Form 1095-A and Form 8962, and Group-B: Form 1095-B, Form 1095-C, and Form 8965.

GROUP-A

Form 1095-A:

According to ACA, any person not covered by a Qualified Minimum Health Insurance offered or provided by Employer, Union, Government or Public Agency, etc. must obtain his or her own Health Insurance coverage. If low income is the primary reason for failure to obtain Health Insurance coverage, a special "Premium Tax Credit", also known as "Subsidy", will be available.

To obtain qualified minimum health insurance independently, one can go to either the Federal or State "Health Insurance Marketplace" which is an online Exchange Platform either hosted by the Federal or by the State. If the applicant qualify for the "Subsidy", either the monthly premium will be reduced accordingly, or the subsidized amount will be a refundable income tax credit.

Regardless, at the end of each year, the online "Marketplace" or the "Exchange" will be responsible to file Form 1095-A to the IRS and a copy will be given to the Person acquiring health insurance thru the Marketplace.

Form 8962:

Form 8962 is a 2-page complicated Form required to be completed and file by the Insured with his/her income tax return. The purpose of this Form 8962 is a report to the IRS, based on information from Form 1095-A, regarding an annual summary of health insurance premium paid and premium subsidy situation, whether the premium had been subsidized accordingly or in excess of what it should be based on the actual annual income reported on

the income tax return. Any excess amount will be included and paid back with the tax return.

GROUP-B

Form 1095-B :

Any person, his /her health insurance or Qualify Minimum Coverage was acquired thru a Marketplace Exchange, or insured thru qualify group or individual plan provided by Employer, Medicare, Government or Public Agency, etc. should receive Form 1095-B annually from the Insurance Company, or Federal/State Marketplace Exchange Operator, or Independent Health Care Provider, ie. Hospital based Medical Program. Based on this Form 1095-B, individual tax payer can claim exemption from the special “ACA Penalty Tax” for fail to acquire, at least, a Qualify Minimum Coverage.

Form 1095-C:

The purpose and information provided in Form 1095-C are same as Form 1095-B. The only exception is that Form 1095-C is designed and required to be completed for or by Large Employer. Large Employer refers to employer with fifty (50) or more full-time equivalent employees. Therefore, employees of a Large Employer will receive Form 1095-C annually, instead of From 1095-B.

Form 8965:

The name of Form 8965 is “Health Coverage Exemption”. Based on it’s name, it is easy to understand that it is used to claim exemption from “the ACA Penalty Tax”. This Form 8965 should be based on information either Form 1095-B or Form 1095-C, and should be filed annually with your income tax return.

The above discussion is an attempt to explain in a basic, general manner regarding the complicated new Tax Forms created under the Affordable Care Act (ACA). For further understanding, we strongly suggested our readers to consult with the experts of their choice or the appropriate Benefit Department of their employer organization.

Sincerely,

Cho F Chan CPA, Inc.

An Accountancy Corporation