Health Coverage Exemptions

There are several exemptions for the healthcare coverage that we can be taking advantage of to help our clients escape that penalty that is being given when they answer that they did not have coverage last year.

You need to be aware of which ones we have available to us, when they are applicable and how to use them.

It is important that everyone download and read the instructions for Form 8965 from the IRS. It gives a good overview of each exemption, who it applies to and also a bit on how to apply the exemption.

I am going to highlight some of these that I feel will impact our clients the most and briefly how to apply them in our system.
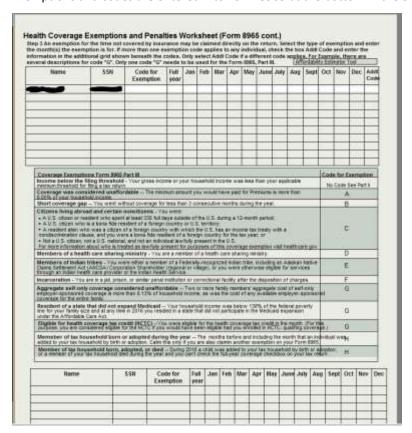
Where to find the IRS publication

The instruction form referenced above is found at: https://www.irs.gov/pub/irs-pdf/i8965.pdf
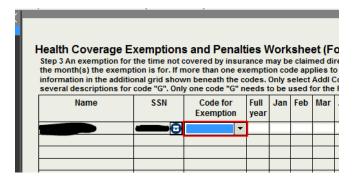
It is called "2016 Instructions for Form 8965". Please download and read that publication for full details on all of the exemptions.

Where to enter exemptions

Exemptions and codes are entered into Form 8965 at the bottom in the 3rd set of calendar boxes.

[Title]

In the 3rd column, there is a drop down box that will appear when it is clicked that has several codes to choose from.

Once you choose a code from the box, you will place check boxes into the proper months that the exemption code applies to.

If you have more than one code for an individual, you may also choose the very last box titled "Addl Code" which will open the 4th set of boxes at the bottom of the form for additional code usage. It will be used the same way.

Highlights

I will go over which exemptions I feel will impact our clients the most next.

NOT REQUIRED TO FILE

Certain clients that are below the filing requirement threshold for 2016 are not given a penalty. This is automatically calculated in the system and you will not have to do anything further.

[Title]

SHORT COVERAGE GAP

Most of us have been entering this in the system wrongly. We knew that a coverage gap of less than 90 days consecutively was acceptable. We have til now been skipping it altogether and not entering it. We actually need to be entering this into the system.

We can only enter in 1 set of up to 3 month boxes per calendar year for each person on the return. You will choose code B for this exemption and check the proper boxes.

Remember that it can only be up to 3 of these months and they have to be consecutively or next to each other.

This exemption will NOT apply if the gap was for 4 months or more.

An example would be if an individual was not covered for April, May and part of June but then got coverage in July. Then the boxes for April, May and June would be checked using the proper code.

Another example though would be if someone did not have coverage for April and May, had coverage for June and then did not in July. They could take the exemption for April and May but would not get it for July because it is not consecutive to the other months.

8.05% of your household income.	
Short coverage gap -- You went without coverage for less than 3 consecutive months during the year.	B
Citizens living abroad and certain noncitizens - You were:	

INCARCERATION

Clients that are in jail at least 1 day of a calendar month are considered exempt from the penalty for that month. Make sure they understand that it must be able to be documented.

For this exemption, you will enter Code F and place an appropriate box in each month of incarceration.

through an Indian health care provider or the Indian Health Service.	
Incarceration - You are in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	F

RESIDENT OF A STATE THAT DID NOT EXPAND MEDICAID

Because Florida did not expand it's Medicaid program, if the household income was below 138% of the poverty line for the household size, the family can claim exemption for the months they did not have coverage.

For the purposes of this exemption, the household income DOES INCLUDE nontaxable social security benefits received by the taxpayer, spouse and any dependents on the return.

Use the following chart for the 2016 tax year:

Family Size	138% of Poverty Level
1	$16,242
2	$21,983
3	$27,724
4	$33,465
5	$39,205
6	$44,946
7	$50,687
8	$56,428

When choosing this option, check the boxes for all months that they did not have coverage OR click the "Full Year" option.

Resident of a state that did not expand Medicaid -- Your household income was below 138% of the federal poverty line for your family size and at any time in 2016 you resided in a state that did not participate in the Medicaid expansion under the Affordable Care Act.	G

COVERAGE WAS CONSIDERED UNAFFORDABLE

There is another option which you will need to read about and study carefully. I feel it will be able to be used but there is a process that we need to use to check if they are eligible for this and document it properly.

There is a worksheet available in the download for this form (given at the beginning) that you will need to read carefully and research.