

# 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 3<sup>rd</sup> set of calendar boxes.

**Health Coverage Exemptions and Penalties Worksheet (Form 8965 cont.)**  
 Step 2 An exemption for the taxes not covered by insurance may be claimed directly on the return. Select the type of exemption and enter the month(s) the exemption is for. If more than one exemption code applies to any individual, check the box Add'l Code and enter the information in the additional grid shown beneath the codes. Only select Add'l Code if a different code applies. For example, there are several descriptions for code "G". Only one code "G" needs to be used for the Form 8965, Part III. (Affordability Exemption Test)

Name	SSN	Code for Exemption	Full year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Add'l Code
[REDACTED]	[REDACTED]															

  

Coverage Exemptions Form 8965 Part III	Code for Exemption
Income below the filing threshold - Your gross income or your household income was less than your applicable minimum threshold for filing tax returns.	No Code (See Part I)
Coverage was considered unaffordable - The minimum amount you would have paid for Premiums is more than 8% of your household income.	A
Short coverage gap - You went without coverage for less than 3 consecutive months during the year.	B
Citizens living abroad and certain nonresidents - You were: • A U.S. citizen or resident who spent at least 330 full days outside of the U.S. during a 12-month period; • A U.S. citizen who is a bona fide resident of a foreign country or U.S. territory; • A resident alien who was a citizen of a foreign country with which the U.S. has an income tax treaty with a residence clause, and you were a bona fide resident of a foreign country for the tax year; or • Not a U.S. citizen, not a U.S. national, and not an individual lawfully present in the U.S. For more information about who is treated as lawfully present for purposes of this coverage exemption visit <a href="http://healthcare.gov">healthcare.gov</a>	C
Members of a health care sharing ministry - You are a member of a health care sharing ministry.	D
Members of Indian tribes - You were either a member of a Federally recognized Indian tribe, including an Indian tribe chartered under the Indian Self-Determination and Education Assistance Act (ISDEA), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	E
Incarceration - You are in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	F
Aggregate self-only coverage considered unaffordable - Two or more family members' aggregate cost of self-only employer-sponsored coverage is more than 8.1% of household income, as was the cost of any available employer-sponsored coverage for the entire family.	G
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
Eligible for health coverage via credit (P.L.C.) - You were eligible for the health coverage tax credit in the month. (For this subsection, you are considered eligible for the P.L.C. if you would have been eligible had you worked in P.L.C. qualifying coverage.)	G
Member of tax household born or adopted during the year - The month before and including the month that an individual was added to your tax household by birth or adoption. Claim the only if you are also claim another exemption on your Form 8965.	H
Member of tax household born, adopted, or died - During 2016 a child was added to your tax household by birth or adoption. Or a member of your tax household died during the year and you don't check the "Survival" checkbox on your tax return.	H

  

Name	SSN	Code for Exemption	Full year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec

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

**Health Coverage Exemptions and Penalties Worksheet (Form 8965)**  
 Step 3 An exemption for the time not covered by insurance may be claimed directly on the return. Select the type of exemption and enter the month(s) the exemption is for. If more than one exemption code applies to any individual, check the box Addl Code and enter the information in the additional grid shown beneath the codes. Only select Addl Code if a different code applies. For Example, there are several descriptions for code "G". Only one code "G" needs to be used for the Form 8965, Part III.

Name	SSN	Code for Exemption	Full year	Jan	Feb	Mar
[Redacted]	[Redacted]	[Dropdown]				

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

**Health Coverage Exemptions and Penalties Worksheet (Form 8965 cont.)**  
 Step 3 An exemption for the time not covered by insurance may be claimed directly on the return. Select the type of exemption and enter the month(s) the exemption is for. If more than one exemption code applies to any individual, check the box Addl Code and enter the information in the additional grid shown beneath the codes. Only select Addl Code if a different code applies. For Example, there are several descriptions for code "G". Only one code "G" needs to be used for the Form 8965, Part III. [Affordability Estimator Tool](#)

Name	SSN	Code for Exemption	Full year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Addl Code
[Redacted]	[Redacted]	F				X		X			X					

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 4<sup>th</sup> 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.

<b>Income below the filing threshold</b> - Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.	No Code See Part II
<b>Coverage was considered unaffordable</b> - The minimum amount you would have paid for Premiums is more than	

## 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.

6.05% of your household income.	
<b>Short coverage gap</b> -- 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.	
<b>Incarceration</b> - 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 its 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.

<b>Resident of a state that did not expand Medicaid</b> -- 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
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## 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.