

Insight



Forty Percent of ACA Subsidized Households Could Lose Eligibility Because of Tax Filing Confusion

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According to preliminary data released by the Internal Revenue Service (IRS) in a [letter to Congress](#) on July 17, 2015, about 40 percent of households that received subsidies in 2014 are currently at risk of losing their subsidy eligibility because of complications with their 2014 tax returns. To date 1.8 million heads of households have not submitted the appropriate Affordable Care Act (ACA) related tax forms to reconcile the \$5.5 billion in subsidies paid on behalf of these households.

Those who have not yet filed the appropriate forms belong to one of three groups. First, about 360,000 taxpayers who received subsidies have filed for extensions, and therefore have until October 15th (two weeks before the start of 2016 open enrollment) to file.

Second, about 760,000 taxpayers did file their personal income tax returns (form 1095A or similar), but failed to attach a second, new Premium Tax Credit [form 8962](#) (which happens to look very similar to [form 1095A](#)). Form 8962 was introduced in 2014 as a means of reconciling subsidies paid out through the exchanges with the taxpayer's estimated subsidy eligibility based on their 2012 income tax filings. This form is a necessary (if confusing) addition to the tax filing process, as preliminary data indicates that 90 percent of taxpayers incorrectly estimated their 2014 income.

The third group of missing tax filings belongs to 710,000 taxpayers who did not file any tax paperwork whatsoever. This omission is to be expected in many cases, as low income individuals receiving subsidies may never have been required to file a return in years past. Confusion or lack of information about how, where, or when to file an income tax return and the new Premium Tax Credit form may have contributed to this error of omission. Nonetheless, this error endangers future subsidy eligibility for these 710,000 American households.

The legislative marriage of two of life's most baffling necessities—taxes and health insurance—has naturally resulted in some confusion. Notably, nearly half of those purportedly helped by the ACA are now on the verge of losing those benefits— a testament to how complicated the law really is.