

# ACA Marketplace Coverage: MEC, Affordability & Exemptions

*~tax years 2014-2018 only~*

The individual shared responsibility provision of the Affordable Care Act requires taxpayers to have:

- qualifying health coverage (known as minimum essential coverage or MEC); **or**
- qualify for a coverage exemption; **or**
- make an individual shared responsibility payment when filing their federal income tax return.

The shared responsibility payment was reduced to zero (\$0) for 2019 and after tax years; for this reason, the information in this document applies **only to tax returns for tax years 2014 through 2018**, when taxpayers need to report health coverage status and navigate potential shared responsibility payments or exemptions.

For general information about reporting ACA Marketplace coverage on tax returns, refer to:

- [Reporting Form 1095-A Data in TaxSlayer](#)
- [IRS Instructions for Form 8962](#)
- [IRS Publication 4012](#)

## How to Assist Taxpayers

Bookmarked sections in this document include:

[Understanding Minimum Essential Care \(MEC\)](#)

[Understanding Exemptions to the Shared Responsibility Payment](#)

[About the “G” Hardship Exemption](#)

For information and instructions on claiming exemptions to the individual shared responsibility payment in TaxSlayer, see:

- [Understanding and Entering the “Affordability” Exemption in TaxSlayer](#)
- [Entering Exemptions Other Than Affordability in TaxSlayer](#)

# Understanding Minimum Essential Coverage (MEC)

## What types of insurance ARE considered MEC?

### Employer-Sponsored Coverage

- Employee coverage (including self-insured plans)
- COBRA coverage
- Retiree coverage
- Coverage under an expatriate health plan for employees

### Individual Health Coverage

- Health insurance purchased through the Health Insurance Marketplace
- Health insurance purchased directly from an insurance company
- Grandfathered health plans in force since March 23, 2010 or earlier
- Health insurance provided through a student health plan
- Catastrophic coverage purchased inside or outside the Health Insurance Marketplace
- Coverage under an expatriate health plan for non-employees, such as students and missionaries

### Coverage Under Government-Sponsored Programs

- Medicare Part A coverage
- Medicare Advantage plans
- Medicaid coverage that is comprehensive
- Children's Health Insurance Program (CHIP)
- Most types of TRICARE coverage
- Comprehensive health care programs offered by the Department of Veterans Affairs
- Health coverage provided to Peace Corps volunteers
- Department of Defense Non-Appropriated Fund Health Benefits Programs Refugee Medical Assistance (RMA)
- Basic Health Program (BHP) standard plan

### Other Coverage

- Certain foreign coverage (if recognized as MEC by HHS)
- Certain coverage for business owners Certain coverage recognized by HHS as MEC

## What types of insurance are NOT considered MEC?

- MAP
- CommUnity Care Sliding Scale program
- CHIP Perinatal (only for pregnancy care)

- Coverage consisting solely of “excepted benefits,” like policies that only cover vision or dental care
- Plans that offer discounts on prescription drugs or doctor visits but don’t pay for health services
- Plans that pay for services that treat only specific conditions, such as cancer plans
- Short-term health plans
- Accident or disability insurance
- Workers’ compensation
- AmeriCorps/AfterCorps coverage
- Medicaid coverage providing only limited benefits

## Understanding Exemptions to the Shared Responsibility Payment

Taxpayers who do not have qualifying health coverage for tax years 2014 through 2018 may qualify for an **exemption** to the individual shared responsibility payment. Exemptions are usually claimed on a tax return, but may also be granted beforehand by the Healthcare.gov Marketplace and simply reported on the tax return.

### **Exemptions Granted By the Marketplace (less common):**

Exemptions that are only granted by the Marketplace include those for:

- Members of certain religious sects
- People for whom the coverage available is considered unaffordable based on projected income
- People who are determined ineligible for Medicaid in a state that did not expand Medicaid coverage

If the Marketplace grants a coverage exemption, the taxpayer receives a notice with a unique Exemption Certificate Number or ECN. When the tax return is prepared, the ECN is entered in TaxSlayer and appears on **Form 8965, Premium Tax Credit** in column C of Part I, Marketplace-Granted Coverage Exemptions for Individuals. See [Entering Exemptions Other than Affordability in TaxSlayer](#).

## **Exemptions Claimed on the Tax Return (most common):**

Other exemptions to the requirement for health coverage are claimed on the tax return and are generally based either on:

- Hardship - If financial hardship or other circumstances prevented the taxpayer from getting health insurance.
- Affordability - If there are income-related reasons that prevented the taxpayer from finding affordable health insurance
- Taxpayer Circumstances - Non-US. Citizens, persons born or deceased during the tax year, those with only a short-term coverage gap, etc.

➤➤ For a full list of exemptions, see [List of Exemptions Chart](#).

For a chart outlining which types of income are included in determining PTC eligibility and exemptions, see [What is Considered "Income" to Determine PTCs & Exemptions](#).

### **A Note about Taxpayers with DACA Status:**

Individuals with Deferred Action for Childhood Arrivals (DACA) status are considered undocumented for purposes of Marketplace health insurance enrollment eligibility and therefore are eligible for **code C** to avoid the shared responsibility payment. DACA status is indicated through category code C33 on the employment authorization card.

### **A Note About Taxpayers with Valid Employment Authorization and Restricted Social Security Cards:**

Taxpayers who have a valid employment authorization card and a restricted social security card (or if their employment authorization document application/renewal is pending) are subject to the shared responsibility payment if they were without health insurance. If the taxpayer's employment authorization card has expired, they are eligible for exemption **code C**.

## About the “G” Hardship Exemption

If the taxpayer falls below 138% of the Federal Poverty Line (FPL) for the tax year, they qualify for a **Code G** exemption. See the chart below for income limits by household size and tax year (2015 through 2018).

| HH size | 138%<br>(2018 returns) | 138%<br>(2017 returns) | 138%<br>(2016 returns) | 138%<br>(2015 returns) |
|---------|------------------------|------------------------|------------------------|------------------------|
| 1       | \$16,643               | \$16,394               | \$16,243               | \$16,105               |
| 2       | \$22,411               | \$22,108               | \$21,983               | \$21,707               |
| 3       | \$28,180               | \$27,821               | \$27,724               | \$27,310               |
| 4       | \$33,948               | \$33,534               | \$33,465               | \$32,913               |
| 5       | \$39,716               | \$39,247               | \$39,206               | \$38,516               |
| 6       | \$45,485               | \$44,960               | \$44,947               | \$44,119               |
| 7       | \$51,253               | \$50,687               | \$50,687               | \$49,721               |
| 8       | \$57,022               | \$56,428               | \$56,428               | \$55,324               |

### Expanded eligibility for Code G - Hardship Exemption

In 2018, eligibility for **Code G** exemptions was expanded to include a broader number of circumstances. The chart below illustrates these expanded hardship types.

- The taxpayer will need to identify the hardship that applies to their situation.
- The Tax Help Program does not require proof of eligibility in these cases. Inform the taxpayer that the IRS may request documentation at a later point.

See the next page for a chart of the expanded **Code G** exemptions.

## New General Hardship Exemptions\* (Code G)

### *Did any of the following hardships prevent you from obtaining coverage?*

#### **Financial Hardship**

- You were homeless
- You were evicted or face eviction or foreclosure
- You received a utility shut-off notice
- You filed for bankruptcy
- You had medical debt in the last 24 months
- You had unexpected increases in expenses caring for ill, disabled or aging relative
- You were determined ineligible for Medicaid in a state that did not expand Medicaid coverage
- You were without coverage while awaiting a decision on a marketplace appeal

#### **Plan Choice Hardship**

- You lived in a county with only one issuer offering coverage and can show that the lack of choice precluded enrollment\*\*

- All affordable plans provide abortion coverage contrary to your beliefs\*\*
- You experienced a personal circumstance that created a hardship, such as when no affordable plans provide access to needed specialty care\*\*

#### **Personal Hardship**

- You experienced a disaster that resulted in significant property damage
- You experienced domestic violence
- A close family member died
- Your child was denied Medicaid or CHIP and another person is required by court order to provide coverage for the child
- You experienced another hardship that prevented you from obtaining coverage

\*Most of these exemptions were formerly claimed by submitting a marketplace application. The exemption is valid for the month(s) of the hardship and the month before and after.

\*\*New hardships

 ACA: What Tax Preparers Need to Know

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