

Understanding and Entering the “Affordability” Exemption in TaxSlayer ~2014-2018 only~

Refer to these documents for more information about ACA coverage and exemptions:

- ACA Marketplace Coverage: MEC, Affordability & Exemptions
- Entering Exemptions Other Than Affordability in TaxSlayer

TAKE NOTE: A taxpayer with an employer offer or an offer for family coverage from a family member will need to provide the cost of that plan in order for the affordability exemption to be calculated. This information may be found on Form 1095-B or Form 1095-C. If that information is not available, affordability cannot be calculated and the exemption cannot be used.

Code A is used for the affordability exemption. The affordability exemption is figured for taxpayers who:

1. did not have health insurance for all or part of the year; and
2. the least expensive plan through a self-only offer or family offer of coverage from an employer or the least expensive Marketplace plan for the year would have cost **over a set percentage** of the tax household income. (The percentage is different for each tax year.)

How is affordability measured?

Use the first scenario below that applies for each family member. In figuring the affordability exemption, you must stop at the first criteria listed below that applies to the taxpayer and calculate the cost of the plan as a percentage of tax household income.

- Lowest-cost self-only plan offered to the employee by his or her employer; or
- Lowest-cost family plan offered by the employer of a family member in the tax unit;
or
- Lowest-cost bronze plan in the marketplace, after accounting for PTC

Example One: If the taxpayer had an offer of coverage from his employer, we stop there and do the calculation. We cannot then use Marketplace premiums to determine affordability.

Example Two: If the secondary taxpayer for an MFJ return did not have an offer from her employer but was offered coverage through a family plan via the primary taxpayer, we must do the calculation using the family plan premium amounts.

► **If the taxpayer had a self-only or family offer of coverage in the tax year, we cannot use Marketplace premiums to calculate affordability, even if the information about the self-only or family offer is not available during tax return preparation.**

Most people will not qualify for the affordability exemption using Marketplace premiums. Marketplace premiums were designed to adjust (in the amount of premium tax credits applied) based on a set of factors in order to provide affordable coverage for individuals. Only in some very specific situations—for example if someone is a smoker or is filing MFS—would the least expensive Marketplace plan have been over that set percentage of tax household income and thus qualify the individual for the affordability exemption.

To assist you in calculating the Affordability exemption , consult this [online tool](#).

Calculating & Entering the Affordability Exemption in TaxSlayer (2016-2018 only)

1. In TaxSlayer, navigate to the **Health Insurance** and the **Health Insurance Questionnaire** screen.
2. Click on **Yes** for “**Did you or your family have health insurance or qualify for a coverage exemption at any time in 2018?** ”
3. Click on **Continue**.
4. For “**Did you purchase health insurance via HealthCare.gov or a State Marketplace?**”, confirm that **No** is selected and then click on **Continue**.
5. In the **Verify Your Household Members** screen, confirm that the information is correct and then click on **Continue**.
6. In the **Months Insured** screen, click on **No**.
7. In the resulting box, click to select **0** for each household member listed before clicking on **Continue**.

8. In the **Household Income** screen, click in the text box asking for **premium amounts paid through a salary reduction agreement** and enter the total of any **Box 12, Code DD** amounts listed on the taxpayer's Form W-2(s).

Note: Only enter an amount if there are Code DD amounts on Form W-2 **and** you are calculating the affordability exemption.

9. If there are dependents listed on the return, click in the **Dependents Modified AGI** text field and enter dependent AGI information. Only enter dependent income for dependents who had a filing requirement. Otherwise, leave the field blank.

Household Income

BACK CONTINUE

Enter any premium amount paid through a salary reduction agreement that is excluded from gross income. (Note: This entry is included in the Affordability Threshold when determining affordability if applicable. This information is unnecessary if you will not be completing the affordability worksheets.)

\$|

Dependents' Modified AGI (if filing requirement)

Enter the AGI for your dependents from Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 3; and Form 1040NR, line 37

\$

\$1,044
FEDERAL AMOUNT DUE
N/A
REFUND AMOUNT

10. Click on **Continue**.
11. In the **Health Care Exceptions** screen, verify that **No** is selected for “**Do you qualify for an exemption?**”.
12. Click on **Yes** for “**Would you like to determine if you qualify for an exemption due to unaffordable premiums?**”.

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Health Care Exemptions

You do not qualify for the exemption based on Household or Gross Income below Filing Threshold, but if you or another household member received a Marketplace Issued Exemption Certificate or qualify for a coverage exemption, please refer to the question below.

Did you qualify for an exemption due to circumstances or receive an exemption certificate from the marketplace?

Yes

No

Would you like to determine if you qualify for an exemption due to unaffordable premiums?

Yes

No

\$840 FEDERAL AMOUNT DUE

N/A REFUND AMOUNT

BACK CONTINUE

13. Click on **Continue**.

14. What you do next depends on whether the taxpayer had:

- a [self-only offer of employer coverage](#), or
- a [family plan employer coverage offer](#), or
- if [neither of the above apply](#). (In this case, the least expensive Marketplace plan is used to calculate affordability). *This can be calculated for 2018 only.*

➤ **Scenario One: Taxpayer had a self-only offer of employer coverage**

1. Verify that both fields in the “**Do you Qualify for Health Care Exemptions?**” screen are blank.
2. Click on **Continue**
3. In the **Affordability Worksheet** screen, enter the monthly premium x 12 (i.e. the annual premium amount) for each month you would like to claim the affordability exemption.

Enter the **ANNUALIZED** contribution amount this individual must pay for the first situation below that applies to the individual.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse's employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet. (\$0)

GREGORY SMITH

January

\$ 600

February

\$ 600

March

Enter the annual premium amount for every month the person is eligible for the exemption.

4. **Click on Continue.** The next screen will then say whether the taxpayer qualifies for the affordability exemption.

► **Scenario Two: Taxpayer did not have a self-only employer offer but was offered coverage through a family plan via the spouse's job.**

1. Leave both fields in the **Do you Qualify for Health Care Exemptions?** Screen blank and click on **Continue.**

Do you qualify for Health Care Exemptions?



You only need to fill in these values if a household member was not eligible for employer-sponsored coverage for one or more months. These values will be used to compute your annualized required contribution from the Marketplace Coverage Affordability Worksheet.

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if health insurance was not offered through an employer, enter the premium values captured from the healthcare.gov tax tool that is made available to you. The link at the bottom of this page will assist you in determining the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, select continue below and enter the required information asked to further determine affordability.

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

[Click here](#) to obtain the LCBP and SLCSPP premium amounts to enter above.

[Click here](#) to determine if you can claim a health coverage exemption.

2. In the **Affordability Worksheet** screen, enter the annual premium amount for each month you would like to claim the affordability exemption.

Enter the **ANNUALIZED** contribution amount this individual must pay for the first situation below that applies to the individual.

Enter the required **ANNUALIZED** contribution for **each month** that applies to this individual:

1. Lowest cost self-only policy offered to each member of your tax household by his/her employer (the monthly amount times 12).
2. Lowest cost family policy offered by your employer or your spouse's employer (the monthly amount times 12).
3. Amount from the Marketplace Coverage Affordability Worksheet. (\$0)

ALICE SMITH

January

February

March

Enter the annual premium amount for every month the person is eligible for the exemption.

3. Click on **Continue**. The next screen will then say whether the taxpayer qualifies for the affordability exemption.

► **Scenario Three: Taxpayer was not eligible for employer coverage via a self-only OR family plan. In this case, affordability is calculated using the cost of a Marketplace policy. This can be calculated for 2018 tax returns only.**

1. In the **Do You Qualify for Health Care Exemptions?** screen, leave both text fields blank and click on **Click here to obtain the LCBP and SLCSP premium amounts to enter above.**

Do you qualify for Health Care Exemptions?

! You only need to fill in these values if a household member was not eligible for employer-sponsored coverage for one or more months. These values will be used to compute your annualized required contribution from the Marketplace Coverage Affordability Worksheet.

To determine if you can claim the "Coverage is Considered Unaffordable" exemption if health insurance was not offered through an employer, enter the premium values captured from the healthcare.gov tax tool that is made available to you. The link at the bottom of this page will assist you in determining the needed premium amounts. Note: If you were eligible for employer-sponsored coverage, select continue below and enter the required information asked to further determine affordability.

Monthly Premium for the Lowest Cost Bronze Plan Premium (worksheet line 1)

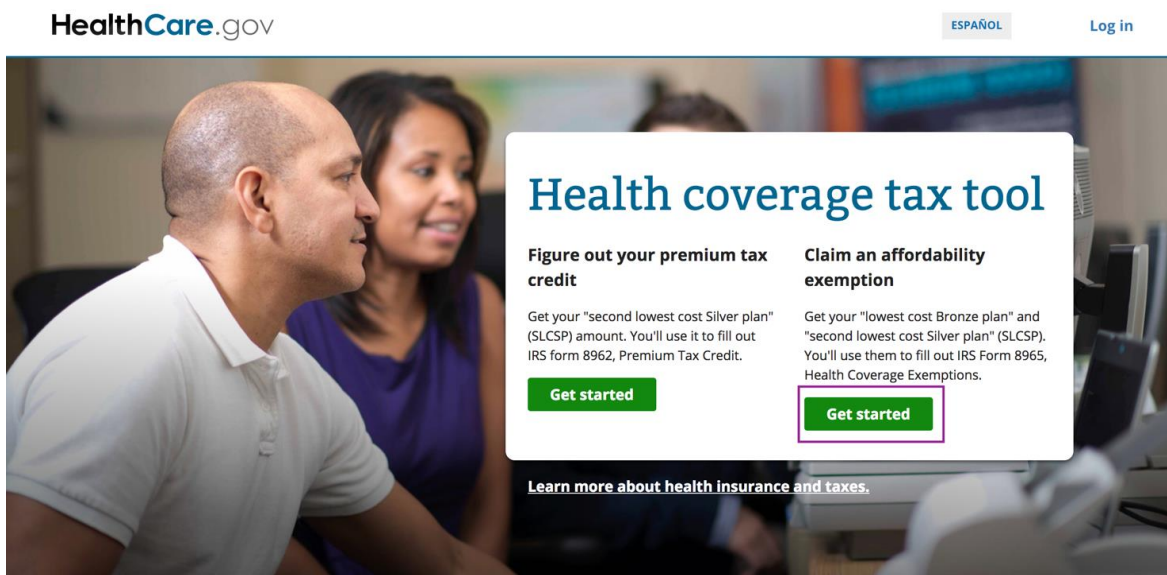
Monthly Premium for the Second Lowest Cost Silver Plan Premium (worksheet line 10)

[Click here to obtain the LCBP and SLCSP premium amounts to enter above.](#)

\$1,535
FEDERAL AMOUNT DUE

N/A
REFUND AMOUNT

2. You will be taken to the Healthcare.gov tax tool page. The direct link is [Health Coverage Tax Tool](#).



3. Under **Claim an affordability exemption**, click on **Get started**.
4. Click on **Step One** and select the tax year and state of residence of the taxpayer.

5. Enter the number of people in the tax household and information about the primary (and secondary if applicable) taxpayers.
6. The next two questions ask the months to use to calculate the affordability exemption. Select the months for which the taxpayer had coverage or was eligible for coverage through work, etc. (Take care: The months that you check are those for which the taxpayer had an offer of coverage and is therefore ineligible for the affordability exemption).

Note: If the taxpayer did not have insurance and was not eligible for coverage through an employer or other source at any point in the year, you would leave all months unchecked.

Select the months Greg was eligible for coverage outside the Marketplace like Medicare, Medicaid, or the Children's Health Insurance Program (CHIP) in 2018, except for individual market coverage.

Any months for which you indicated that Greg was eligible for employer coverage or qualified for another exemption are disabled. Greg is either not eligible for or does not need a Marketplace coverage affordability exemption for these months.

<input type="checkbox"/> Jan	<input type="checkbox"/> Feb	<input type="checkbox"/> Mar	<input type="checkbox"/> Apr
<input type="checkbox"/> May	<input type="checkbox"/> Jun	<input type="checkbox"/> Jul	<input type="checkbox"/> Aug
<input type="checkbox"/> Sep	<input type="checkbox"/> Oct	<input type="checkbox"/> Nov	<input type="checkbox"/> Dec

7. Click on **Continue**. The tool will ask you to confirm some details. Two premium amounts will be displayed.
8. Return to the **Do You Qualify for Health Care Exemptions?** screen in TaxSlayer and enter the premium amounts.

Be careful! The Marketplace tool displays the monthly lowest cost bronze plan (LCBP) premium and monthly second lowest cost silver plan (SLCSP) premium in the opposite order as TaxSlayer. **It is important to enter them in the correct fields to accurately calculate the exemption!**

9. Click on **Continue**.

10. In the next screen, enter the annual premium amount (which is calculated by TaxSlayer and displayed for you) for each month you would like to be considered for the affordability exemption.

Example: If the taxpayer was only without coverage for November and December, you will only enter that amount for November and December.

11. The last screen will indicate whether the taxpayer is eligible for the affordability exemption.

12. Once all exemptions have been entered, examine the **Health Coverage Exemptions** screen to verify that all applicable exemptions have been entered for the designated member(s) of the tax household.

Note: You should also check page 1 of **Form 1040** as well as **Schedule 4** to verify that they correctly reflect any coverage, exemptions, and applied shared responsibility payment. See below.

Form 1040		Department of the Treasury—Internal Revenue Service (99)		2018		OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
Filing status: <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)							
Your first name and initial				Last name		Your social security number	
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind							
If joint return, spouse's first name and initial				Last name		Spouse's social security number	
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954						<input type="checkbox"/> Full-year health care coverage or exempt (see inst.)	
<input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien							

SCHEDULE 4 (Form 1040)		Other Taxes		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 04	
Name(s) shown on Form 1040				Your social security number	
Other Taxes	57	Self-employment tax. Attach Schedule SE	57		
	58	Unreported social security and Medicare tax from: Form a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
	59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	59		
	60a	Household employment taxes. Attach Schedule H	60a		
	b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60b		
	61	Health care: individual responsibility (see instructions)	61		
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960	62		