

## **Employer Offered You Health Insurance but You Got Yours through the Marketplace. You May Be in for an Unpleasant Surprise!**

### **Article Highlights:**

- Premium Tax Credit
- Employer "Offer" of Insurance
- Affordable
- Denial of Premium Tax Credit
- Form 1095-C

One of the key provisions of Obamacare is the premium tax credit (PTC), which serves as a subsidy for the cost of health insurance for lower-income individuals and families. Although the credit is determined at the end of the year based upon income, taxpayers are allowed to estimate their income and receive the credit in advance, thereby reducing their premium costs.

Another key provision of Obamacare requires large employers to offer full-time employees affordable healthcare insurance. The term "affordable" means that the employee's insurance costs less than 9.66% (2016 percentage) of the employee's household income. In addition, because the government wants to limit its outlay for the PTC, the law denies PTC to employees who are offered affordable healthcare insurance by their employer.

**This is where a potential problem arises!** Quite often, the cost of insurance subsidized by the advance PTC obtained through the Marketplace is substantially less costly than the "affordable" insurance offered by the employer; as a result, the employee will instead obtain the less expensive insurance through the Marketplace, while not realizing that they are not entitled to the PTC because the employer offered them "affordable" insurance.

Prior to 2015, the government had no way of determining who was offered "affordable" insurance by their employer and therefore was unable to enforce the "no PTC rule." However, beginning in 2015, employers with 100 or more equivalent full-time employees were required to file the new Form 1095-C, which shows month-by-month when an employee was offered "affordable" healthcare insurance. Generally, the employer is required to furnish a copy of Form 1095-C (or a substitute form) to the employee. Beginning in 2016, even employers with 50 or more equivalent full-time employees are required to file 1095-Cs.

The IRS will begin matching the information on the 1095-Cs that the employers have filed with taxpayers who claimed the PTC for months during which they were also offered "affordable" insurance by their employer. Those taxpayers will be receiving notices from the IRS requiring them to repay the premium tax credit for the months when they were offered affordable care.

If you are concerned that you claimed the PTC and might be subject to repayment, you can look at your copy of Form 1095-C from your employer. Check line 14 and see if there are entries in any of the months. The entries will be codes, which are explained on the reverse of the form.

If you need assistance or additional information related to Form 1095-C and its impact on the PTC, please give this office a call.