

## ACA Complicates 2014 Returns

*Let's Talk Tax*

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Although the Affordable Care Act passed in 2010, its changes were so vast, voluminous, and uncertain that it was nearly impossible for many professional to find meaningful training on the act. Training companies are often hesitant to invest in manuals and instructors if the subject matter is uncertain or there was a chance of it disappearing entirely. Now, four years later, the Affordable Care Act (commonly called Obamacare) has finally arrived on the doorstep of average Americans. How will this impact your tax 2014 tax return? Let's take a look at how the role of your return is changing and a few new forms you may receive from your employer and insurer.

**New Role for Your Tax Return:** The existence of any tax, deduction, or penalty has both intentional and unintentional influence on the behavior of those subject to it. Over the last few decades, however, the tax code an increasingly complex regulatory labyrinth of tax rates, credits, deductions and penalties (many of which expire shortly after they are enacted) intended to incentivize and dis-incentivize behavior and redistribute income. The Affordable Care Act added an entirely new level of complexity to this labyrinth as it drastically expanding the role of the individual tax return as a regulatory tool. Form 1040 now calculates tax, distributes credits, AND tracks and regulates the private purchase of a particular government-approved product. The Product: Qualified Health Insurance as required by the individual mandate.

**Individual Mandate:** The largest changes for the upcoming tax season (2014) will be new reporting required by the individual mandate. The individual mandate is the requirement that all Americans and their dependents have qualified health insurance coverage for the entire year or face the threat of penalty. Regardless of political aspects or personal benefits of government-approved insurance coverage, the individual mandate will have one guaranteed result: It will directly affect and complicate the preparation of every American's 2014 income tax return. To help regulate the purchase of Qualified Health Insurance (and assess penalties and dispense credits),

the IRS has introduced three new forms: Form 1095-A, Form 1095-B, and Form 1095-C. In the remainder of this article I will discuss the purpose and use of these three new forms.

**New Forms Required:** [Forms 1095-A](#), [1095-B](#) and [1095-C](#) are information reporting forms that will be used to report various forms of insurance coverage to the IRS and individuals receiving benefits. The forms were released in draft form in July of 2014 with the expectation of having them finalized by the end of the year.

**Form 1095-A, Health Insurance Marketplace Statement:** Form 1095-A will be used by health insurance exchanges to report coverage to their enrollees. This form reports exchange information, enrollee information and their marketplace policy number. It also reports the social security number and date of birth of each covered member of the household receiving coverage as well as premiums paid each month and information on any advance credit received by taxpayer.

**Form 1095-B, Health Coverage:** Form 1095-B will be used by insurers and self-funded insurance plans to report coverage to each enrollee and enrollee coverage to the IRS. It will report employer information if coverage is sponsored by employer, information on the insurer or coverage provider, as well as monthly coverage information for each members of the enrollee's household.

**Form 1095-C, Employer Provided Health Insurance Offer and Coverage:** Form 1095-C will be used by large employers, those having 50 or more full-time *equivalent* employees, to report health insurance offered to each employee. It will also report information needed to determine whether the offered insurance was qualifying coverage under the Affordable Care Act.

**Forms Optional for 2014:** Although the IRS plans to have final versions of these forms released by the end of the year, the use of these forms by exchanges, employers, and health insurers will be optional for 2014. Mandatory reporting will begin in 2016 for the 2015 tax year. .

**Self-Reporting Health Coverage:** Because the filing of the 1095 forms will be optional for 2014, taxpayers will have the burden of gathering the information required to report 2014 health insurance coverage. This information is important because it will be required to determine whether your coverage was acceptable and determine whether you qualify for any health insurance credits or will be forced to pay a penalty if you and the members of your household did not have qualifying coverage for each month of 2014. In order to prepare your return you will need the following information if you do not receive Form(s) 1095:

1. Health insurer(s) for the year;
2. Number of months of coverage;
3. Members of your family covered by the above health insurance throughout the year;
4. Your county of residence all year;
5. Additional information on coverage and premiums.

**Take Away – A Complex Tax Year:** The many new and untested reporting requirements for the Affordable Care Act promise to make 2014 an extremely complex tax year. Especially complex will be the calculation of credits associated with health coverage. The rules and calculations lend themselves to multiple opportunities for errors particularly for certain dependents. If you have dependent children who worked during 2014, particularly college students, be very careful when completing their return. Failure to complete properly could result in the loss of a credit you may be entitled to.

As always, remember this article does not constitute tax advice. If you should have any questions regarding the ACA or any other tax issue, please feel free to contact our office to make an appointment and (304) 267-2594.

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