



HCTT-2015-08: Important Information about Advance Payments of the Premium Tax Credit and Your Tax Return

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Important Information about Advance Payments of the Premium Tax Credit and Your Tax Return

The Affordable Care Act includes financial assistance in the form of the premium tax credit for eligible taxpayers with moderate incomes who purchase coverage through the Health Insurance Marketplace.

When you purchased coverage for 2014 through the Marketplace, you may have chosen to have the government send advance payments of the premium tax credit to your insurer to lower your monthly insurance premiums. At that time, the Marketplace estimated these credits based on information you provided about your expected household income and family size for the year.

If you chose to have advance credit payments sent to your insurer, you must file a federal income tax return, even if otherwise not required to file. You will need to reconcile these payments with the amount of premium tax credit you're eligible for on your tax return. Receiving too much or too little in advance can affect your refund or balance due when you file.

For example, if you had certain life changes during the year and notified the Marketplace, the Marketplace should have adjusted the amount of the advance credit

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payments sent to your insurer accordingly. If you did not notify the Marketplace about these life changes, the advance credit payments may have been either too high or too low.

Advance credit payments that are lower than the amount of premium tax credit on your tax return will reduce your tax bill or increase your refund.

On the other hand, if your advance credit payments are more than the premium tax credit you are eligible for based on your actual income, you will need to repay the excess amount, subject to certain caps. This will result in a smaller refund or a larger bill when you file your return. The repayment amount is based on your household income and family size. For more information on the repayment if your household income is less than 400 percent of the federal poverty line, the repayment amount is limited. Taxpayers with household incomes of 400 percent or more of the federal poverty line must repay all of the excess amount. See the [instructions](#) for Form 8962, Premium Tax Credit (PTC) for more information on the federal poverty line amounts.

Normally, taxpayers may owe certain penalties for late payments or underpayment of estimated tax. However, to help smooth the process for the first year of the Affordable Care Act, the IRS will waive these penalties for eligible taxpayers if they resulted from repayment of excess advance payments of the premium tax credit. This has no effect on the fee individuals will pay if they chose not to buy affordable health coverage.

You must complete [Form 8962](#) to claim the premium tax credit and reconcile your advance credit payments with the premium tax credit you are eligible to claim on your return. You should receive [Form 1095-A](#), Health Insurance Marketplace Statement from your Marketplace by early February. This form provides information you will need when completing Form 8962. If you have questions about the information on Form 1095-A for 2014, or about receiving Form 1095-A for 2014, you should contact your [Marketplace](#) directly.

Remember that filing electronically is the best and simplest way to file a complete and accurate tax return as it guides individuals and tax preparers through the process and does all the math. Electronic Filing options include free [volunteer assistance](#), [IRS Free File](#) for taxpayers who qualify, commercial software, and [professional assistance](#).

More Information

Find out more about [advanced credit payments](#) and other tax-related provisions of the health care law at IRS.gov/aca.

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