



Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

Income & Reconciliation

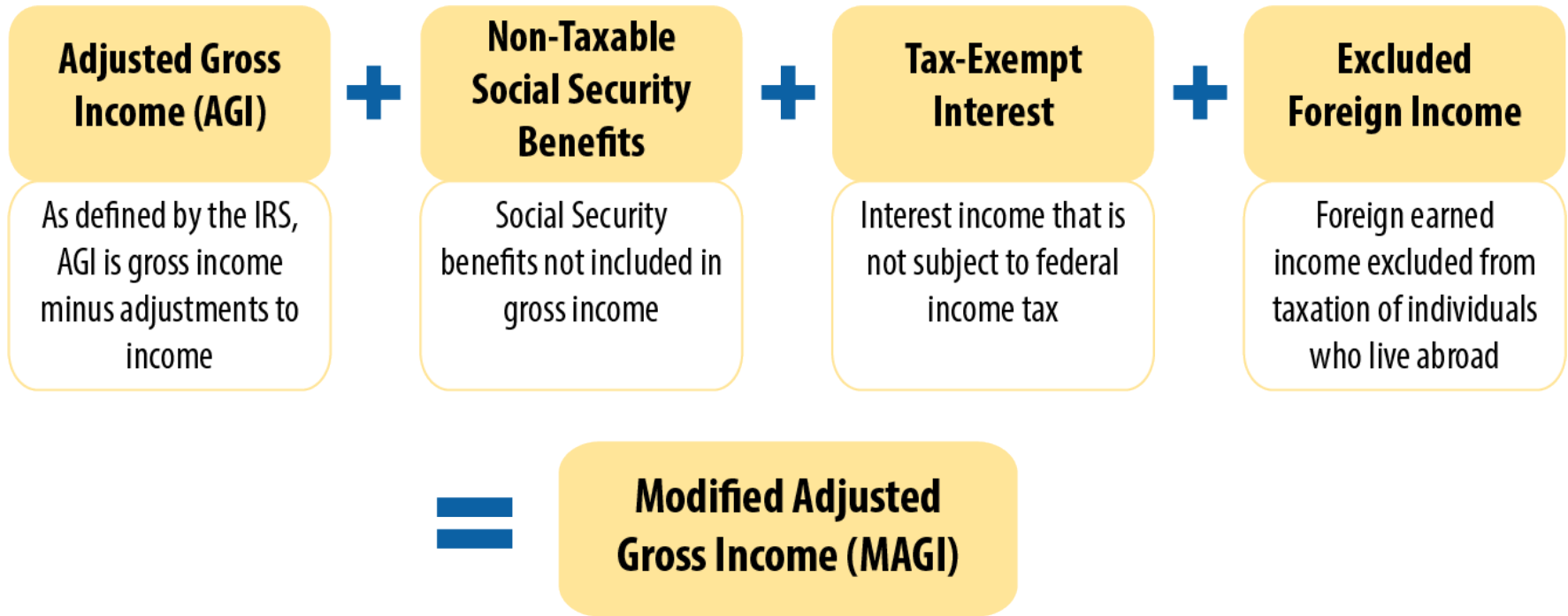
COVID-19 Edition

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Income

What Is Modified Adjusted Gross Income (MAGI)?



All income is taxable unless specifically excluded by law from taxation

Examples of Taxable Income	Examples of Non-Taxable Income
Wages, salaries, bonuses	Veterans' benefits
Self-employment income	TANF payments
Some Social Security benefits	Child support payments
Unemployment compensation	Sickness and injury payments
Most retirement distributions	Supplemental Security Income (SSI)
Hobby income	Workers' compensation

See IRS Publications 17 and 525 for more details on what income is taxable and not taxable

- **Social security** (including survivor benefits and SSDI): Even the untaxable portion is included in the MAGI of a person with a tax filing requirement
- **Alimony**: For agreements after January 1, 2019, neither spouse can include alimony on the tax return; under older agreements, couples can choose to adopt this method



- MAGI is based on taxable, adjusted gross income
 - Generally does not include non-taxable income (with a few exceptions not specific to AI/AN-specific income)
 - And some *taxable* income is excluded for Medicaid determinations

Examples of Non-Taxable Income Excluded from APTC and Medicaid MAGI

Distributions from trust/reservation property

Income from property and rights related to hunting, fishing, and natural resources

Distributions from Alaska Native Claims Settlement Act (ANCSA) Corporations and Settlement Trusts

Income that falls within the IRS General Welfare Doctrine*

Others that are non-taxable according to IRS

Examples of Taxable Income Excluded for Medicaid But Not APTC Eligibility

Payments derived from American Indian/Alaska Native lands, natural resources, trust settlements or traditional/cultural activities

See [NIHB](#) for income help particular to AI/AN



- Income can come in the form of money, goods, or services
- Cash income is taxable and included even if:

“I haven’t declared it in the past”

“It’s on the side”

“It’s not my main job”

“I only work seasonally or occasionally”



Advice for estimating income:

- Does the person have regular monthly income?
- If no regular income, what jobs are lined up for the year?
- If no good projected estimate, consider adding or subtracting from previous year's income (if available)
- Make estimates by job or by month (using receipts, invoices, bank records, etc.)

Advice for estimating expenses:

- Does the person have regular monthly expenses?
- What large expenses does the person anticipate?
- What were the person's expenses in previous year?
- Use receipts, credit/debit card records, known costs of supplies

What types of business expenses may be deductible?

- Advertising
- Commissions
- Contract labor
- Legal or professional fees
- Office supplies
- Rent/lease/repair of equipment
- Business meals and entertainment
- Telephone and utilities
- Business mileage or transportation expenses

- Use [this tool](#) to estimate annual self-employment income.
- Download the PDF and fill it out on your computer so you can email the completed form to your client for their records.

Self-Employment Income Estimator

What is self-employment income? Self-employment income includes any work or services you get paid for. This could be odd jobs, seasonal work, or other work that isn't recorded on a W-2. You can deduct reasonable business expenses to offset some of your income.

Who should use this tool? This tool can help you calculate the self-employment income and expenses you'll include on your HealthCare.gov application. This tool doesn't include everything you need to know to file your tax return and it isn't a substitute for tax advice.

Note: If you underestimate your income (or overestimate your expenses), you may get a higher premium tax credit than you qualify for and will need to pay some of it back.

Main Information

Type of Business or Profession	
Business Name	
Business Start Date	
Have you included this business income on a recent tax return?	
Are your income and expenses similar to those on your prior tax return? If so, refer to your last tax return for help in estimating your income for next year.	

Tip Keep a separate checking account or credit card for your business to make income and expenses easier to track.

Income

Total Gross Income from Form(s) 1099-MISC (do NOT deduct any expenses)	\$ _____
Total Gross Income from Form 1099-K (do NOT deduct any expenses)	\$ _____
Total Electronic payments not reported on 1099-MISC or 1099-K (such as certain rideshare income not reported above)	\$ _____
Total of all other income received by cash or check not reported above	\$ _____

Total Gross Income
\$

Income Details

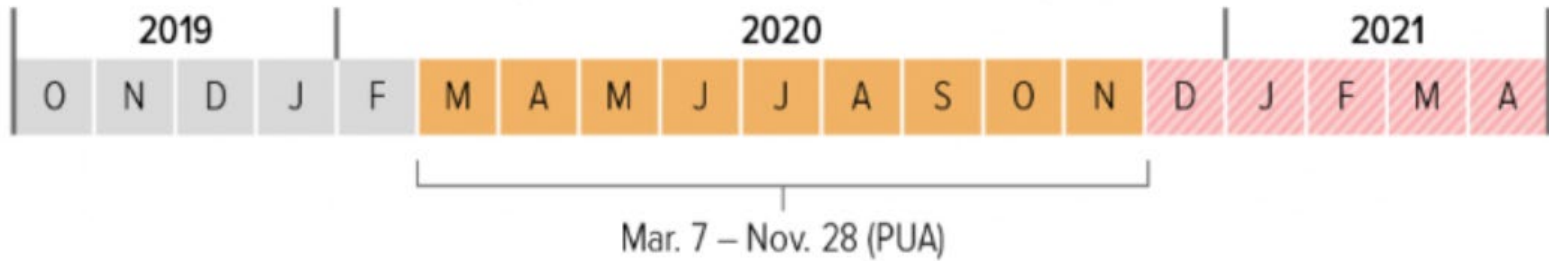
Income	Details

A project of the
Center on Budget
and Policy Priorities

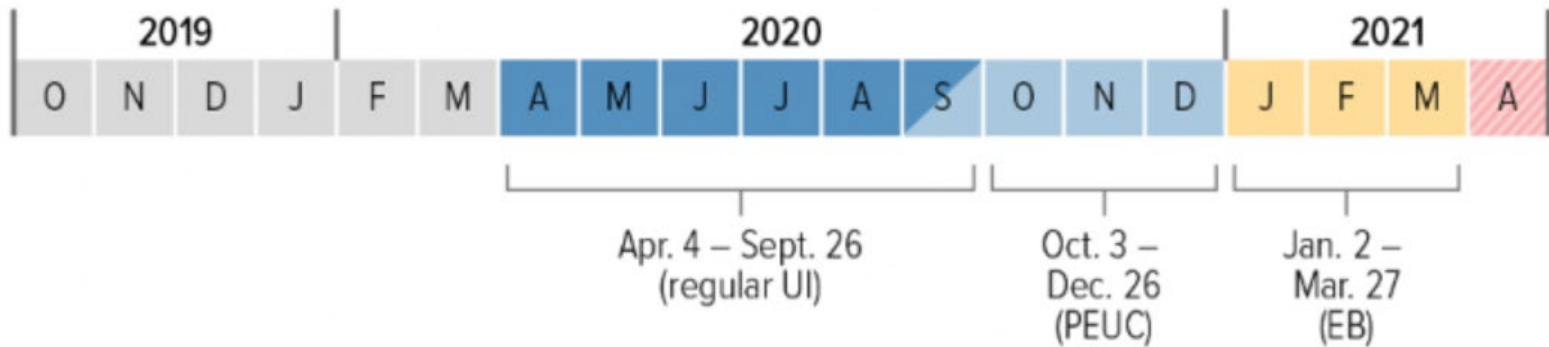
- All UI is counted in income for APTC determinations. This includes:
 - Weekly base UI and extended benefits
 - Extension of UI for up to 39 weeks (until Dec 31, 2020)
 - Expansion of UI to new populations (until Dec 31, 2020)
 - Executive Order assistance of \$300/week
- 2021 income projection complications
 - People hitting their cap on eligible UI weeks, likely in spring 2021
 - Potential federal UI extensions
 - Who will get UI?
 - How much?

Claimants also received \$600 per week federal supplemental UI (ended July 31, 2020)

Worker lost job in early March 2020 (did not qualify for regular UI, qualified for 39 weeks of PUA)



Worker lost job in spring 2020 (state has 26 weeks of regular UI, 13 weeks of PEUC, and 13 weeks of EB)



Note: UI = unemployment insurance; PEUC = Pandemic Emergency Unemployment Compensation; PUA = Pandemic Unemployment Assistance; EB = Extended Benefits

Source: CBPP analysis

Jane's income

You can enter amounts now, then update Jane's income later in the year if Jane's situation changes.

i If Jane has more than one source of income, you'll be able to enter more later.

Select a type of income Jane currently gets this month.

[Learn more about types of income to report.](#)

Unemployment

Enter any unemployment compensation this person is currently getting, whether it's from a government office, employer, or union.

Enter the amount Jane gets paid.

If you're not sure, make your best estimate.

\$ 975

How often does Jane get this amount?

- Weekly
- Every 2 weeks
- Twice a month
- Monthly
- Yearly
- One time only

- Enter only income for the *current month*.
 - If they received UI for the **entire month**, enter the weekly or monthly amount
 - For a **partial month** of UI, enter it as a monthly amount
 - Enter **lump sum** UI as a one-time payment if received in that month.

Jane's net income totals

Jane's expected monthly income for 2020

About \$4,221.75

We calculated this current monthly income amount based on what you entered for Jane's income and expenses. Don't worry if this isn't the exact total — we just need a close estimate.

Jane's expected yearly income for 2020

About \$50,661.00

We calculated this expected yearly income amount based on what you entered for Jane's monthly income and expenses. Is this correct?

Yes

No

Is Jane's income for 2020 hard to predict?

Yes

No

If you're not sure, make your best estimate of Jane's income total for 2020.

\$

[Get help estimating Jane's income](#)

[Save & continue](#)

- Annual income calculates as monthly income x 12. This isn't always correct.
- **Note that UI automatically calculates for 52 weeks!** You must adjust annual income to reflect the correct amount (and to make any other adjustments).

Enter Jane's expected income for each month of 2020. Don't worry if this isn't the exact total, we just need a close estimate.

January 2020

\$ 4,167

February 2020

\$ 4,167

March 2020

\$ 4,167

April 2020

\$ 4,222

May 2020

\$ 4,222

June 2020

\$ 4,222

July 2020

\$ 4,222

August 2020

\$ 1,624

September 2020

\$ 1,624

October 2020

\$ 1,624

November 2020

\$ 1,624

December 2020

\$ 1,624

Save income estimate

Cancel

Adjust the annual income to include income that didn't occur in the current month, including:

- Prior wages and anticipated future wages
- Other types of income, like retirement or IRA cash-outs

Jane's expected monthly income for 2020

About \$3,125.75

We calculated this current monthly income amount based on what you entered for Jane's income and expenses. Don't worry if this isn't the exact total — we just need a close estimate.

Jane's expected yearly income for 2020

About \$37,509.00

We calculated this expected yearly income amount based on what you entered for Jane's monthly income and expenses. Is this correct?

Yes

No

Is Jane's income for 2020 hard to predict?

Yes

No

If you're not sure, make your best estimate of Jane's income total for 2020.

\$ 37,509

- If you revised the annual income, the expected monthly income updates. *The Medicaid determination will still be based on the prior monthly income you entered, not this screen.* The appropriate current month income should still display on the application review page.
- Make sure the annual income is correct.

Income

Unemployment

\$975.00 every week

Net income totals

Current monthly income

\$4,221.75

Expected yearly income for 2020

\$37,509.00

Review additional information

Will be offered job-based health coverage

None

Save & continue

- This is the review screen before you sign and submit.
- On this screen, double check:
 - **Current monthly income.** No matter your change to annual income, the monthly amount reverts to the income you initially entered for the current month.
 - **Expected yearly income.** This is the amount that will determine APTC income.

Projecting 2021 Income



- It was hard to get 2020 income right – 2021 may be even harder
 - The more sources of income, the harder it is to build an annual estimate
- Emphasize the need to report income changes
 - If income rises, failure to report could result in repayment on their tax return
 - If income falls, a person could be newly eligible for Medicaid or eligible for a more generous premium tax credit or cost-sharing reduction

- Remember that 2021 income is measured against 2019 income for reasonable compatibility



When a DMI is Triggered

- Applicant is awarded subsidies based on income attestation but must provide documents to verify household income because:
 - There is no income information in the data hub, or
 - Attestation is 25% and \$6,000 *lower than* the data available in the hub

- This might mean more income data matching inconsistencies to resolve
- Be prepared to justify the 2021 income projection (with documents or in a letter)

Common reasons for income DMIs

- Change in a job or hours of employment
- Irregular freelance or self-employment income
- One-time income, such as an IRA withdrawal or retirement cash-out

Reconciliation

Failure to Reconcile – 30-Day Notice

- Consumers who failed to reconcile their 2018 APTC are now getting letters warning that 2020 financial help is ending
- Soon, consumers will get Marketplace Open Enrollment Notices (MOENs). Some will warn that people aren't eligible for financial assistance because of failure to file.

Health Insurance Marketplace

[First Name Last Name of Tax Filer] [Date of notice]
[Address]
[City, State Zip]

Application Date: [application_submission_date]
Application ID: [application_identifier]

Dear [tax filer_first_name]:

ACT NOW: People in your household will lose financial help for their Marketplace coverage if you do not take action immediately.

You or someone in your household attested on your [2020] Marketplace application that you filed a [2018] tax return with IRS Form 8962, but the Marketplace is not able to confirm this in IRS records.

Why we're sending you this letter
You're getting this notice because you're currently enrolled in Marketplace coverage with advance payments of the premium tax credit (APTC), and you haven't filed and/or reconciled APTC previously paid on your behalf for 2016 according to IRS records. You must file a federal tax return for [2018] along with IRS Form 8962, *Premium Tax Credit (PTC)* for [2018]. If you already filed your [2018] tax return, you need to file an amended return with Form 8962.

NOTE: If you have filed your [2018] tax return with Form 8962, you don't need to do anything else.

What you need to do
File or amend your [2018] tax return with Form 8962 as soon as you can, even if you don't usually have to file taxes. If you already filed your [2018] tax return, you must file a Form 1040X, Amended U.S. Individual Income Tax Return, with a Form 8962. In early [2019] you should have received a Form 1095-A from the Marketplace for the [2018] coverage year. This form provides information you'll need to complete Form 8962. To get a copy of your Form 1095-A for [2018,] log in to your Marketplace account at HealthCare.gov, select "Go to my applications & coverage," and open your [2018] application. Then select "Tax forms" from the menu on the left. You can also call the Marketplace Call Center at 1-800-318-2596. For more information on filing or amending a [2018] tax return

- Report income and household changes
 - An FPL calculation that is *higher* than projected could result in repayment
 - An FPL calculation that is *lower* than projected could result in a higher APTC now, a higher PTC at tax time, or could mean that someone was eligible for Medicaid/CHIP
- When you report income increases, beware of the APTC calculation
 - The APTC is calculated based on the new income, without regard to the APTC already received.

Example:

- At the start of the year, Malcolm's APTC is \$2,400 (\$200/month).
- Malcolm reports an income increase in September, after he has already received \$1,800 in APTC.
- Based on his new income, he's eligible for \$1,200 in APTC for the year. HealthCare.gov calculates an APTC of \$100/month for the rest of the year.
- He should reduce the amount of APTC he receives to zero. Malcolm has already received more APTC than he's entitled to and will need to repay the excess, up to the repayment cap.

REPAYMENT LIMITS (TY 2020)		
Income (as % of FPL)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$325	\$650
At least 200% but less than 300%	\$800	\$1,600
At least 300% but less than 400%	\$1,350	\$2,700
400% and above	None: Full repayment	None: Full repayment

Beyond the Basics resource includes:

- Annually updated FPL levels for current and prior year
- Expected premium contributions
- Employer coverage affordability threshold
- Out-of-pocket maximums, including for CSR plans
- Tax filing thresholds
- Repayment caps for APTC

YEARLY GUIDELINES AND THRESHOLDS PAGE 2 OF 2

Tax Year 2020

Tax Filing Thresholds (Tax Year 2020)

Tax Filing Status	Single	Head of Household	Married Filing Jointly	Married Filing Separately	Qualifying Widow(er) w/ Qualifying Child
Tax Filing Threshold for People Under Age 65	\$12,400	\$18,650	\$24,800	Must file if had gross income of any kind	\$24,800

Tax Dependent Filing Requirement

Aged and/or Blind?	Unearned income was over:	Earned income was over:	Taxable gross income was more than the larger of:
Under 65 AND not blind	\$1,900	\$2,400	\$1,100 OR Earned Income (up to \$12,050) + \$350

Note: Tax filing thresholds calculated using the standard deduction for taxpayers for 2020 (required to file if gross income is more than the standard deduction). Source: www.irs.gov/pub/irs-drop/19-44.pdf

Repayment Limits on APTC (Tax Year 2020)

Income (% FPL)	SINGLE Taxpayers	OTHER Taxpayers
Under 200%	\$325	\$650
200% – 300%	\$800	\$1,600
300% – 400%	\$1,350	\$2,700
400% and above	None	None

Source: www.irs.gov/pub/irs-drop/19-44.pdf

2019 Federal Poverty Guidelines (Coverage Year 2020)

# in Household	100% FPL	138% FPL	150% FPL	200% FPL	250% FPL	300% FPL	400% FPL
1	\$12,490	\$17,236	\$18,735	\$24,980	\$31,225	\$37,470	\$49,960
2	\$16,910	\$23,336	\$25,365	\$33,820	\$42,275	\$50,730	\$67,640
3	\$21,330	\$29,435	\$31,995	\$42,660	\$53,325	\$63,990	\$85,320
4	\$25,750	\$35,535	\$38,625	\$51,500	\$64,375	\$77,250	\$103,000
5	\$30,170	\$41,635	\$45,255	\$60,340	\$75,425	\$90,510	\$120,680
6	\$34,590	\$47,734	\$51,885	\$69,180	\$86,475	\$103,770	\$138,360
7	\$39,010	\$53,834	\$58,515	\$78,020	\$97,525	\$117,030	\$156,040
8	\$43,430	\$59,933	\$65,945	\$86,860	\$108,575	\$130,290	\$173,720

Note: Eligibility for premium tax credits in coverage year 2020 is based on poverty guidelines for 2019. FPL = federal poverty line. Source (plus 8 households, and Hawaii and Alaska guidelines): www.hhs.gov/2019-poverty-guidelines

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For more information and resources, please visit:

www.healthreformbeyondthebasics.org

This is a project of the Center on Budget and Policy Priorities www.cbpp.org