RECONCILIATION FAQ

1. What is premium assistance?

Tax credits are available to help lower the cost of health care for individuals and families who enroll in a Covered California health plan and meet certain income requirements. Individuals must also not have an offer of affordable health insurance from an employer or from the government.

There are two types of tax credits individuals can receive by enrolling in a Covered California health plan: 1) Premium Assistance and 2) Cost-Sharing Subsidies.

1) Premium Assistance reduces the monthly premium cost for most Covered California health plans.
2) Cost-Sharing Subsidies reduce out-of-pocket costs, also known as co-pays, co-insurance, deductible, and out-of-pocket maximum. The amount of the tax credits consumers receive depends on income and the cost of the Covered California health plans in their area.

For Premium Assistance, they must be otherwise eligible and annual household income must be between 138%* and 400% of the federal poverty level (FPL). They may use their Premium Assistance for any plan under any metal tier in Covered California (Bronze, Silver, Gold or Platinum), and they may choose to receive it in advance each month, lowering the cost of their monthly payments, or at the end of the year when they file their taxes.

For Cost-Sharing Subsidies, they must be eligible for Premium Assistance and their annual household income must be between 138%* and 250% of the FPL. They may only receive cost-sharing subsidies if they enroll in a Silver-level plan. They cannot apply premium assistance or cost-sharing subsidies to a Minimum Coverage/ Catastrophic plan.

2. What is considered annual income?

Income includes wages, salaries, tips, business or self-employment income, rental income, interest received or accrued, lottery and gambling income, capital gains, pensions, Social Security retirement benefits, foreign-earned income, alimony income and bartering income (i.e., exchange of goods or services without exchanging money).

For the purposes of determining eligibility for premium assistance and cost-sharing assistance, Covered California uses their modified adjusted gross income (MAGI). For most taxpayers, MAGI is the same as adjusted gross income (AGI), which can be found on line 4 of a Form 1040EZ, line 21 of a Form 1040A or line 37 of a Form 1040. Taxpayers who receive non-taxable Social Security benefits, earn income living abroad, or earn non-exempt interest should add that income to their AGI to calculate their MAGI.

It's important to remember that if they claim their spouse or children as dependents, their incomes count toward their household income. In order to receive premium assistance through Covered California, spouses are required to file their income tax returns jointly.

3. I got a letter in the mail saying Covered California needed information from me to verify my income. What counts as proof?

We can accept many types of proof. If your income for 2013 and 2014 are close, then your 2013 tax return might also help support the income you gave us on your application. If you earn wages, then acceptable forms of proof may include:

- Most recent W-2
- A recent pay stub
- A letter from your employer (on employer letterhead, if possible)
- A copy of a check paid to you as wages

If you are self-employed, acceptable forms of proof may include:

- Most recent 1099-MISC
- Most recent quarterly or year-to-date profit and loss statement
- Bank statement of deposits and expenses from your business. Bank statement should show regular deposits. The deposits should be similar to the amount that you reported on your application.

A complete list of qualifying documents can be found **HERE**:
http://www.coveredca.com/faqs/Request-for-Verification-CLP/PDFs/Document-List.pdf

4. Their yearly income fluctuates, how do I correctly report it?
Premium assistance is linked to their annual income and IRS will examine this income when they file their taxes for the income year. For example, most people will file their annual income for 2014 on or before April 15, 2015.

If they know that their yearly income fluctuates a lot, they may want to receive their premium assistance as one lump sum when they file their tax return or only take part of their premium assistance in advance. By waiting to receive all or most of their premium assistance when they file their tax return, they will be need to be sure they did not overstate their income and do not have to pay any premium assistance back to the IRS.

If they would like to receive their premium assistance in advance, lowering their monthly premium payment, they may want to calculate their income in either of the following two ways:

- If they know what their annual household income will be when they file their taxes, they may divide that income by 12, and report a monthly figure that will accurately reflect their household income for the year.
- If their income fluctuates and they do not know what their annual household income will be, it is highly suggested they report their most accurate income to Covered California each month. On Covered California's online application, there is a button that allows them to 'Report a Change' and they can update their income.
- They can also call Covered California's call center at 1-800-300-1506 and a service center representative can help they report their income change.

5. What is reconciliation?
If they receive help making their insurance more affordable, they need to file taxes. When they file, the IRS will check to see if the amount of income they reported to Covered California is the same as the amount of income they actually made. The IRS will also check to see if their family size is the same as when they applied. IRS will then compare the amount of premium tax credit they are qualified for based on their actual income and family size reported on their tax return with the advance premium tax credit payments they received during the taxable year. This is known as reconciliation.

6. If their income decreases, how does their health insurance premium tax credit change?
If their income decreases while they are receiving tax credits for health insurance purchased through Covered California, they may get more money back in their income tax return for the year.

For example, they estimated that their income would be $27,925 for 2014 when they bought health insurance and Covered California estimated that they should receive a tax credit of $2,952 for this year. However, when they file their tax return for 2014 it shows that they actually made $22,340. Because their income decreased in 2014, the government will give them an additional $841 in their income tax return.

In general, the federal government will compare their actual income for a year with the estimated income that was used to calculate amount of the tax credit they should receive for their health insurance. If their income decreased, the government may owe them some money. If they usually owe the federal government money for income taxes each year, they may owe the government less during this year. If they usually get a refund from the federal government for income taxes, they may get a larger refund.

7. If their income increases, how does their health insurance premium tax credit change?
If their income increases when they are receiving tax credits for health insurance purchased through Covered California, they will have to return some of the tax credit money.

For example, they estimated that their income would be $27,925 for 2014 when they bought health insurance and Covered California estimated that they should receive a tax credit of $2,952 for this year. However, when they file their tax return for 2014 it shows that they actually made $33,622. Because their income increased in 2014, they will have to return $946 of the $2,952 tax credit.

In general, the federal government will compare their actual income for a year with the estimated income that was used to calculate amount of the tax credit they should receive for their health insurance.

If their income increased, they may have to return some money. If they usually owe the federal government money for income taxes each year, they may owe the government more during this year. If they usually get a refund from the federal government for income taxes, they would get a smaller refund.

8. If the size of their family decreases, how does their health insurance premium tax credit change?
If their family size decreases during a year when they are receiving tax credits for health insurance purchased through Covered California, they will have to return some the tax credit money.

For example, they are married with two older children and they claimed both children as dependents when they completed their taxes in 2013. Their household income amount for 2014 was estimated to be $63,388 and Covered California estimated their family's health insurance tax credit to be $8,535. However, they only claimed one of their children as a dependent on their tax return in 2014. This changes the amount of the health insurance tax credit they should receive. Because their family size decreased in 2014, they have to return $2,500 of the $8,535 tax credit they received.

9. If they get a job with employer-sponsored health insurance, how does their tax credit change?
If they get a job with employer-sponsored health insurance during a year when they are receiving tax credits for health insurance purchased through Covered California, they may have to return some money to the federal government.

For example, they estimated that their income would be $27,925 for 2014 when they bought health insurance and Covered California estimated that they should receive a tax credit of $2,952 for this year. They enrolled in a Covered California health plan in December 2013. If they begin a new job with employer-sponsored health insurance in August 2014 and become eligible for health insurance through their employer in September, they will have to return some of the tax credit they received if they do not cancel their Covered California health plan. If they keep their Covered California health plan until November, they would have to return $572 of the tax credit they received because they are eligible for insurance through their employer beginning in the month of September.

In general, they will have to return part of the tax credit they received if they do not cancel their health plan as soon as they become eligible for employer-sponsored health insurance. The federal government will not provide health insurance tax credits during months when they are eligible for employer-sponsored health insurance.

10. If they get married during the year and file taxes jointly, how does their tax credit change?
If they get married during the year and file a joint tax return with their spouse, the amount of the health insurance tax credit they and their spouse can receive will change. The new amount of tax credit their family is now eligible for will be based on their combined income levels, the number of dependents in their family, and where they live.

For example, Beth and Rodger marry in August 2014. Rodger's income is about $40,000 a year and Beth's income is about $35,000 a year and she has two dependent children. Beth and Rodger file taxes jointly in 2014 with a combined income of $75,000. Before they married, they had separate health insurance plans. After they married, they enrolled in a new family health plan for Beth, Rodger, and her two children. The amount of tax credit Beth and Rodger are now eligible for changes because the size of their family now and because their income levels are now combined. In this case, Beth and Rodger need to return part of the tax credit they received prior to their marriage to the federal government.

11. If they get married during the year but file taxes separately, how does their tax credit change?
If they get married during the year and file a separate tax return from their spouse, the amount of the health insurance tax credit they and their spouse can receive will change. If they and their spouse are married and have a family health insurance plan through Covered California but do not file a joint tax return, both of they are not eligible

for a premium tax credit. If they were receiving tax credits for their family's health insurance plan but do no file a joint tax return, they will have to return part of the premium tax credit their family received.

Their family is eligible for a tax credit based on their combined income levels, the number of dependents in their family, and where they live. When they file separate tax returns, their individual income levels are different and only one of they can claim their dependents on their tax return. These differences will change the amount of tax credit they are eligible for as an individual. They and their spouse may have to return part of the tax credit they received to the federal government.

12. If they get divorced, how does their tax credit change?

Household income percentage of Federal poverty line	Limitation amount for taxpayers – single person	Limitation amount for a family
Less than 200%	$ 300	$ 600
At least 200% but less than 300%	$ 750	$1,500
At least 300% but less than 400%	$1,250	$2,500

If they get divorced during the year, the amount of the health insurance tax credit they and their dependents are eligible for will change. The new amount of tax credit they are now eligible for will be based on their income level, the number of dependents they have, and where they live. They are eligible to enroll in a new health plan for them and their dependents.

For example, Raul and Sofia divorce in June 2014. They have two dependent children. Their family had previously been enrolled in a Covered California health plan for a family of four. Raul and Sofia agreed to equally split the tax credits for health insurance for their previous health plan. After the divorce, Raul enrolls in a new health plan for himself and their two children. Sofia enrolls in a new health plan for herself. At the end of the year, Raul will receive additional money back in his tax return based on his income, the number of his dependents, and the difference in tax credits for the old health plan and his new health plan. Sofia will owe the government additional money in her tax return. However, the amount of tax credits Raul and Sofia are eligible for at the end of the year will be different if Raul and Sofia agree to split the tax credits for their previous health insurance plan in proportion to their individual incomes. In this situation, both Raul and Sofia could receive additional money back in their individual tax returns.

13. Is there a max to how much they might have to pay back?

That depends on their income when they file their taxes. The table below shows the repayment limits. If their income is above 401% of the federal poverty line they will have to repay all of the premium tax credits they received.

14. If they receive premium tax credits and find out I should have received Medi-Cal, do they owe their premium tax credits back?

Generally, no. If their income is verified as eligible for premium assistance and then later they become Medi-Cal eligible, they do not have to repay the premium assistance they received as long as they report the income change within 30 days. It is their responsibility to report this change to Covered California so we can help they switch programs.

15. What can they do to avoid owing money when they file their taxes?

If they are worried about owing money at tax time, they can choose to take less of the premium assistance credit each month. Their monthly premiums will still be lower, but not as much. By taking the rest of the credit at tax time, there is less chance they will owe back money.

They can also choose to pay the full premium amount each month. If they choose this option, when they file their taxes they would subtract their tax credit from the tax they owe – or get a bigger refund if they didn't owe anything.

16. What do they do if they have a change in their income or application information?

If you received help applying from a Certified Enrollment Counselor or Certified Insurance Agent, they can assist you. You can also call the Covered California Service Center at 1-800-300-1506 or 1-888-889-4500 (888-TTY-4500).