

# Thousands Who Didn't File Tax Returns may Lose Health Care Subsidies

October 27, 2015

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Source: The New York Times

Tens of thousands of people with modest incomes are at risk of losing **health insurance** subsidies in January because they did not file income tax returns, federal officials and consumer advocates say.

Under federal rules, anyone who receives an insurance subsidy must file a tax return to verify that the person was eligible and received the proper amount of financial assistance based on household income.

When the federal insurance marketplace opens for the third enrollment season next Sunday, users will see a new question: "Did your household file a 2014 tax return and reconcile any premium tax credit you used?"

If the answer to that question is no, consumers risk losing the subsidies they receive to help pay premiums. Without such assistance, many would find insurance unaffordable.

Many of the people potentially affected have incomes so low that they would not otherwise have to file tax returns. But if they received insurance subsidies in 2014, they were required to file this year.

In July, the **Internal Revenue Service** said 710,000 people who had received subsidies under the Affordable Care Act had not filed tax returns and had not requested more time to do so.

If those people do not return to the marketplace this fall, they may be automatically re-enrolled in the same or similar health plans at full price. And when they receive an invoice from the insurance company next year,

they may be shocked to see that their subsidies have been cut to zero.

Erin M. Lackey, 41, of Jacksonville, Vt., was one of many people who received letters from the [I.R.S.](#) saying they were at risk of losing their tax credits.

Her mother, Ruth J. O'Hearn, a nurse who helps her daughter with insurance matters, described her own reaction.

"At first, I was angry," Ms. O'Hearn said. "Then I felt frustration and fear. You can't be without insurance. Without the subsidy, health insurance would be unaffordable. Without insurance, the cost of medical care would be unaffordable."

The I.R.S. also said 760,000 taxpayers had received subsidies and filed returns but had not attached the required form comparing the subsidies paid with the amount they were entitled to receive. Taxpayers describe that document, I.R.S. Form 8962, as daunting.

"The premium tax credit form, the dreaded 8962, is really hard," said Eileen P. Duggan, a piano teacher and freelance writer in Maplewood, Mo., outside St. Louis, who filed the form with her tax return. "It's enough to make you cry, that form. It was almost impossible to figure out."

The federal government provides subsidies in the form of tax credits, which cover about 70 percent of premiums, on average. The I.R.S. commissioner, John A. Koskinen, said 97 percent of people who received such assistance claimed it in advance, before filing their taxes. The amount of the subsidy is based in part on how much income the recipient expects to have in the coming year.

Two-thirds of people using the federal exchange have incomes less than twice the poverty level (less than \$23,540 a year for an individual).

On their tax returns, consumers must compare the tax credits they received based on their projected income with the amount they were legally eligible to receive based on their actual income. If they received more than they were entitled to, they must pay back the excess, and the government can

deduct it from their tax refunds.

Conversely, some consumers are entitled to larger tax subsidies than they received in advance. As a result, they owe less in taxes and may receive larger refunds.

“A substantial number of people are at risk for losing their health insurance subsidies for 2016,” said Christine Speidel, a tax lawyer at Vermont Legal Aid.

Ms. Speidel identified three groups of people at risk: those who did not file a tax return; those who filed a return without the correct form to reconcile advance payments of the premium tax credit; and those who filed and reconciled this fall, too late for the information to be made available to health insurance exchanges before the open enrollment period.

The exchanges help decide if people are eligible for subsidies. They also estimate the proper amount and arrange for advance payments.

The I.R.S. sent letters this summer to more than a million people who had received advance payments but had not filed tax returns, including some who had filed for an extension.

“If you do not file a 2014 tax return,” the letters said, “you will be responsible for the full cost of your monthly premiums and all covered services” in 2016, and the government may try to recoup some or all of the subsidies paid in advance in 2014.

The I.R.S. told consumers to file their tax returns as soon as possible to protect their eligibility for insurance subsidies. If consumers filed their returns late, it may cause an interruption in subsidy payments.

People who lose their subsidies on Jan. 1 may, in some cases, have them restored if they go to HealthCare.gov, attest to having filed tax returns for 2014, and are found eligible for financial assistance before the open enrollment period ends on Jan. 31. However, if consumers take these steps in the last two weeks of January, their subsidies will not resume until March 1, officials said.

If consumers attest, under penalty of perjury, that they filed their tax returns, and if they select health plans by Dec. 15, they can keep subsidies for coverage starting Jan. 1.

The Obama administration and a small army of insurance counselors are getting ready to assist people who may lose subsidies because they failed to “file and reconcile” their 2014 tax credits.

[Source Link](#)

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