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Jan. 28, 2014

[This is the second in a series of articles on new developments relating to the Patient Protection and Affordable Care Act of 2010 (aka "Obamacare"). See Part I.]

Most U.S. taxpayers must secure health insurance coverage this year whether they want to or not. But the IRS and Treasury Department have clarified several exceptions to the rules in new proposed regulations relating to the health insurance mandate for individuals.

Basic premise: Effective for 2014 and thereafter, the Patient Protection and Affordable Care Act (the PPACA) – otherwise known as Obamacare – requires individuals without health insurance to obtain, at the very least, " minimum essential coverage." To help facilitate this change, the government opened its health insurance marketplace for business late last year. After the public experienced initial glitches with the government's website, enrollment is on the upswing.

Nevertheless, millions of uninsured individuals have remained on the sidelines. (Estimates of this figure vary widely.) The current enrollment period ends on March 31, 2014. In contrast, the rules affecting employers were recently delayed.

Be aware that there's a hefty price to pay for noncompliance. Under Obamacare, individuals who fail to meet the requirements will be assessed a fine based on family income. The IRS is responsible for enforcing the penalties. As follows, the new regulations spell out the scheduled amounts for the next few years:

- For 2014, the penalty is the greater of $95 per person ($47.50 per child under 18),

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medically needy, families receiving benefits as part of an expansion population under the Social Security Act, and individuals enrolled in two special military plans are exempt from the health insurance mandate in 2014. The IRS and Treasury also confirmed that "minimum essential coverage" excludes any coverage consisting solely of excepted benefits, such as most health flexible spending arrangements (FSAs), stand-alone dental or vision plans, and certain fixed indemnity plans.

In addition, individuals may be exempt from the PPACA requirements if they can't afford minimum essential coverage or the plan's costs exceed 8 percent of the individual's household income for 2014. Some individuals may qualify for hardship exemptions.

Finally, the IRS has issued supplementary guidance in the form of Notice 2014-10. This new Notice provides relief from the individual shared responsibility payment for months in 2014 in which individuals have limited-benefit health coverage under Medicaid and certain other programs.

Call for action: The Treasury is inviting comments on certain aspects of the new regulations through April 28. It intends to hold a public hearing on May 21.

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