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SMALL BUSINESS

Are Your Business Clients Really Ready for Obamacare?

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Are CPAs Ready to Become Health Coverage Advisors?

In March of 2010, when the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Acts were passed, the Individual Mandate seemed like a far off event that we didn't need to worry about just yet. And then 2014 came along, and many advisors were too busy focusing on 2013 tax returns to ask their clients about their health insurance coverage or to talk about the new requirements that went "live" on January 1st, 2014. Whether or not you've educated your clients about the new rules, it's important to be as prepared as you can before your first official tax season as a health coverage advisor. Here are the basics of what you need to know and be ready for:

1. Minimum Essential Coverage

The Minimum Essential Coverage requirement has been in effect since January 1st of this year. Your clients can meet the requirement by purchasing coverage, or carrying government or employer-sponsored coverage that meets the standards. Vision plans,

dental plans, workers compensation, and discount-only plans do not qualify, nor does coverage that is limited to specific conditions.

2. The Shared Responsibility Payment

Some of your clients who did not meet the Minimum Essential Coverage requirement may be surprised to learn that their penalty is higher than they expected it to be. Your tax program should take care of the complicated calculation for you, and there are a number of penalty calculators available online, but it's important that you are able to explain how it works to clients whose penalties are hundreds, or even thousands, of dollars more than what they expected. In addition, they may not be aware that they are liable for the penalties for any of their dependents who are not covered or exempt, even if they qualify to claim them but choose not to do so.

When you explain how the convoluted calculation works, be sure to provide them with the amount their penalty will be next year, and in 2016 when it increases again, if they continue to carry less than the "essential minimum coverage," or no coverage at all. This is the point in the discussion at which you become your client's "health coverage advisor," as you will need to explain of the types of coverage that will allow them to avoid the penalty in the future, the eligibility rules for the Premium Tax Credit, and how they might qualify for an exemption to the individual mandate.

3. Exemptions from the Shared Responsibility Payment

You will want to be ready with a thorough list of questions to determine if your clients are eligible for one of the exemptions from the Shared Responsibility Payment. Clients who cannot afford coverage, have low household income or certain hardships, or who belong to specific exempt groups, such as certain religious sects or federally-recognized Indian tribes, may qualify for an exemption. It is likely that some of your clients will need your help completing and submitting the forms. Some exemptions can be claimed on the tax return, while others require applying through the Health Insurance Marketplace.

4. The Premium Tax Credit

Clients who purchased their insurance coverage through the Health Insurance Marketplace, also known as the Exchange, may qualify for a Premium Tax Credit. Your married clients who qualify for the credit should not file separately, as this will disqualify them from receiving the credit unless they fall under one of the exceptions for victims of domestic abuse or spousal abandonment. Clients who received their

credit throughout the year under the *Get it Now* option will need to have the amount they have already received reconciled with the amount they are actually entitled to. Clients whose circumstances changed during the year may have to pay some of the credit back, or they may be entitled to a larger credit.

5. New Lines and Forms

As with any new tax provision, there are new forms to become familiar with, and there are new lines on the 1040. In addition, your clients who purchased coverage through the Marketplace should be receiving Form 1095-A, which will assist you in completing their tax returns. While the Form 1095-B that employers eventually will be required to issue to all employees is optional for 2014, some of your clients may receive this form, which will make it easier for you to complete their tax returns.

With tax season just around the corner, it may be too late to help your clients avoid penalties for failing to carry minimum essential coverage in 2014, but there is still plenty of time for you to prepare to advise them about their health coverage decisions moving forward. Solid preparation now will ensure that you are ready to help your clients navigate this new and complex area of the tax code.

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