Summary of NPRM 26 CFR Part 1: Health Insurance Premium Tax Credit (Released 8/12)

This notice of proposed rulemaking describes premium tax credit calculation and eligibility, as required by the Affordable Care Act.

1) Eligibility for a premium tax credit is contingent upon:
    a. Enrollment of self or dependents in one or more qualified health plans in the Exchange.
    b. Not being eligible for minimum essential coverage through an employer or public program (Medicaid/Medicare).
    c. Household income above 100% of FPL and below 400% FPL, unless an individual or member of an individual's household is under 100% FPL and not eligible for Medicaid, but would be eligible for a premium tax credit if their income was above 100% FPL. (Note: 133% FPL is the threshold described in the ACA; however, the IRS regulation allows individuals from 100% FPL to be eligible for a premium tax credit.)
    d. Joint filing for married taxpayers; those who do not file a joint return are not eligible for premium tax credits.
    e. Not being able to be claimed as a dependent on a tax return.
2) Individuals who have access to employer sponsored insurance can be eligible for a premium tax credit if:
    a. The employer sponsored insurance does not meet the minimum coverage requirements, as will be determined by forthcoming regulation.
    b. The employer sponsored insurance is not affordable. If an individual must pay 9.5% of their income or more for individual coverage then coverage is not considered to be affordable.
3) Premium tax credits are calculated on the basis of the second lowest cost silver plan (70% actuarial value) offered on the Exchange. An individual must pay the allowed percentage of their income for their FPL level and then receive a credit up to the value of the second lowest cost silver plan on the Exchange. The credit is paid directly to the health insurance company the individual selects for coverage.
4) Premium tax credit payments will be reconciled at the end of the year. After filing taxes individuals who are eligible for premium tax credits in excess of the advance payments paid to insurers may receive the remaining amount as an income tax credit. Individuals who receive a greater amount of premium tax credit than they qualified for are required to pay that amount back in taxes to the IRS.
    a. Repayment amounts are limited by income. For example a household under 200% FPL will not have to pay back more than $300 in excess premium tax credit payments.