

Health insurance confusion likely for many filing taxes

Taxpayers are just starting to learn the complex connection between the Affordable Care Act and taxes.

For the first time, taxpayers will have to state whether they had health insurance through an employer, a health insurance exchange or a private insurance policy.

If they didn't, they could face a tax penalty.

"I don't think they realize how big a deal it is," said Carla Medrano, certified public accountant at Beard Harris & Co. in Dallas. "I don't think it will hit them until they do their return."

Medrano was among several members of the Dallas CPA Society who staffed The Dallas Morning News' annual Tax Hotline on Sunday. The hotline drew 166 calls.

For most Americans, filing under the ACA will simply mean checking a box on their tax returns to show they had health coverage all year.

On Line 61 of the 1040 tax form, you must indicate that you, your spouse (if you're filing a joint return) and your dependents had health insurance last year.

If you bought coverage through the health insurance marketplace, you will receive IRS Form 1095-A, Health Insurance Marketplace Statement, from the exchange. It will list who was covered and for how long, as well as premium costs and any advance payment received for premium tax credits.

Consumers likely to be the most confused are those who received premium tax credits, also known as subsidies.

The credit is for certain consumers who bought health insurance through the marketplace, and it reduces the amount of tax owed. The government makes advance payments of the credit to help consumers pay a share of their monthly health insurance premiums.

Those who received the tax credit will need to file Form 8962, Premium Tax Credit, with their returns. They will need information from the 1095-A form to fill out Form 8962.

They will also have to reconcile the financial assistance received with actual income. This is the part that will trip up many taxpayers.

Most people chose to have the subsidies paid in advance, based on projected income for 2014. If their actual income was higher — because of a raise or new job — they will be entitled to a smaller subsidy and must repay the difference, subject to certain limits.

That's what likely will face the caller who spoke Sunday with Ameerah Morsy, certified public accountant at Beard Harris.

The man, who was unemployed for six months last year, received a \$6,300 premium tax credit to help pay for health insurance. He found a job in June and wanted to know whether he had to repay the entire subsidy.

Morsy said she thought he had to, because his income was greater than 400 percent of the federal poverty level. She advised him to consult with a tax professional.

Many people who got the insurance subsidies didn't realize that the amount would be reviewed and recalculated at tax time in 2015.

Adding to the confusion is that about 800,000 taxpayers who got health insurance through HealthCare.gov received erroneous information from the government and were urged to hold off on filing tax returns until the error could be corrected.

The accountants said the tax impact of the ACA will confuse many taxpayers this year. "People are not going to get it right," said James Smith, managing director at Smith, Jackson, Boyer & Bovard in Dallas.