

Affordable Care Act Tax Provisions for Individuals and Families

The Affordable Care Act, or health care law, contains health insurance coverage and financial assistance options for individuals and families. The IRS administers the tax provisions included in the law. Use the *Affordable Care Act and Taxes - At a Glance* charts to better understand the health care law and [how it affects you](#) and [how it affects your tax return](#). See [What's Trending](#) for news on trending topics and answers to questions we are hearing. [Visit HealthCare.gov](#) for more information on coverage options and financial assistance.

What do I need to know about the health care law?

The [Individual Shared Responsibility Provision](#) requires you and each member of your family to have qualifying health insurance (called minimum essential coverage), have an exemption, or make a shared responsibility payment when you file your federal income tax return. If you get your insurance coverage through the [Health Insurance Marketplace](#), you may be eligible for a [Premium Tax Credit](#). Filing electronically is the easiest way to file a complete and accurate tax return. Electronic Filing options include [free Volunteer Assistance](#), [IRS Free File](#), [commercial software](#) and [professional assistance](#).

Coverage

- If you are like most people, you probably already have [qualifying health care coverage](#) and don't need to do anything more than continue your insurance.
- If you don't have or maintain coverage, you will have to get an [exemption](#) or make a payment with your federal income tax return.
- If you don't have coverage, you may be able to get it through the [Health Insurance Marketplace](#). For more information about the marketplace, visit [HealthCare.gov](#).

Credits

- If you get coverage through the health insurance marketplace you may be eligible for the [Premium Tax Credit](#) (PTC).
- The premium tax credit can be paid in advance to your insurance company or to you when you file your federal income tax return. Find out more about the option to [get it now or get it later](#). For more information, see Publication 5120.
- If you receive advance credit payments, you need to report changes in circumstances that will affect the credit to the [Marketplace](#) as they happen. For more information, see [Publication 5152](#).

Payments

- If you don't have coverage or qualify for an exemption you may have to make an [Individual Shared Responsibility](#) payment when you file your income tax return.
- For 2014, generally, [the payment amount](#) is the greater of 1% of your household income above your filing threshold or \$95 per adult (\$47.50 per child) limited to a family maximum of \$285.
- You will report your coverage, exemption or payment on your federal income tax return. For more information, see [questions #25 and #26](#).

Claiming the Credit on Your Federal Tax Return

For any tax year, if you receive advance credit payments in any amount or if you plan to claim the premium tax credit, you must file a federal income tax return for that year. Filing electronically is the easiest way to file a complete and accurate tax return. Electronic Filing options include [free Volunteer Assistance](#), [IRS Free File](#), [commercial software](#) and [professional assistance](#).

If you choose to get it now: When you file your tax return, you will subtract the total advance payments you received during the year from the amount of the premium tax credit calculated on your tax return. If the premium tax credit computed on the return is more than the advance payments made on your behalf during the year, the difference will increase your refund or lower the amount of tax you owe. If the advance credit payments are more than the premium tax credit, the difference will increase the amount you owe and result in either a smaller refund or a balance due.

If you choose to get it later: You will claim the full amount of the premium tax credit when you file your tax return. This will either increase your refund or lower your balance due.

For more information go to <http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families>

Items of Interest for 2014

Extenders passed for 2014

Deductions

- \$250 above-the-line deduction for certain expenses of elementary school and secondary school teachers
- Exclusion of discharge of principal residence indebtedness from gross income
- Parity for exclusion for employer provided mass transit and parking benefits
- Premium for mortgage insurance deduction as mortgage interest
- Deduction for state and local sales tax instead of income tax
- Above-the-line deduction for qualified tuition and related expense
- Increase in section 179 expensing to \$500,000 with threshold of \$2,000,000 (reverts to old limits \$25,000/\$200,000)
- Bonus Depreciation First-year 50% and \$8,000 increase in vehicle depreciation
- 15 year straight line cost recovery for qualified leasehold, restaurants, and retail improvements

Credits

- Credit for qualified energy-efficient home improvements
- Credit for 2 & 3 wheeled plug-in electric vehicles
- Income & excise tax credit for biodiesel and renewable diesel
- Credit for electricity produced from renewable resources
- Credit for builders of energy-efficient new homes
- Credit for energy-efficient appliances
- Energy efficient improvements to commercial buildings
- Alternative fuels & alternative fuel mixture excise tax credit

Miscellaneous Items

Health Care Deductions

Last year's tax bill reduced your deduction for medical costs, including health insurance for 2014. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance.

Charity

ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

Foreign Accounts

If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Net Investment Tax

Individual taxpayers are liable for a 3.8 percent Net Investment Income Tax on the lesser of their net investment income, or the amount by which their modified adjusted gross income exceeds the statutory threshold amount based on their filing status. The statutory threshold amounts are: Married filing jointly, \$250,000; Married filing separately, \$125,000; Single or head of household, \$200,000; Qualifying widow(er) with a child, \$250,000. In general, net investment income includes, but is not limited to: interest, dividends, capital gains, rental and royalty income, and non-qualified annuities.

Additional Medicare Tax

Beginning in 2013, a 0.9% Additional Medicare Tax applies to your Medicare wages, Railroad Retirement Tax Act (RRTA) compensation, and self-employment income that are more than: \$125,000 if married filing separately, \$250,000 if married filing jointly, or \$200,000 for any other filing status. Medicare wages and self-employment income are combined to determine if your income exceeds the threshold. A self-employment loss should not be considered for purposes of this tax. Railroad retirement (RRTA) compensation should be separately compared to the threshold.

IRS Form 1099-MISC is required to be issued to any person or business (generally not to corporations) to whom you paid \$600 or more during the calendar year 2014 for commissions, fees, contract labor, outside services or other compensation. If you wish our office to prepare these forms for you, please provide us the name, address, tax id number, and the amount you paid them.