



Maine Municipal Employees Health Trust

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To: Health Trust Participating Employers
From: Anne Wright, Assistant Director, MMEHT
Date: January 16, 2015
Re: The Affordable Care Act and Health Care Reform –
The Individual Mandate and Your Employees' Tax Returns

Please note: Copies of these Health Care Reform updates may be found on the Health Trust website, at www.mmeht.org. Click on the link for Health Care Reform. Updates are at the bottom of the page; simply click on the link for the update you wish to read.

It's been awhile but now that we are into 2015 and some of the provisions of the ACA are starting to take effect, it's time to start up our Friday afternoon email blasts again. Hang on to your hats – there's a lot of new information coming your way!

As you all remember from last year's updates, there are a number of ACA provisions that will only affect large employers, such as the Employer Shared Responsibility and Employer Reporting provisions (both of which will be addressed in coming weeks). However, there's one provision of the law that will most likely affect each and every one of you, not only as employers but as employees as well. That provision is called the Individual Mandate.

The Individual Mandate, which is also referred to as the Individual Shared Responsibility provision of the ACA, took effect on January 1, 2014. It states that, with a certain few exceptions, all U.S. citizens are required to have health insurance. Such insurance may be through an employer, or through government programs such as Medicare or Medicaid (MaineCare), or through an individual policy purchased through the Health Insurance Marketplace or Exchange. If an individual does not maintain qualifying health insurance coverage, and does not meet the requirements for an exemption under the ACA, he or she may be subject to a penalty. Penalties will be assessed starting in 2015, for the 2014 tax year.

How will the federal government know whether someone had qualifying health insurance coverage throughout the year? And if someone has not had coverage, how will the federal government assess the penalty? Look no further than your 2014 tax forms! Line 61 on the 1040 form says:

Health care: individual responsibility (see instructions) Full year coverage

The same question appears in Line 11 on the 1040EZ and Line 38 on the 1040A. Seems like that should be fairly straightforward and easy to answer, yes? The instructions state that those individuals who had qualifying minimum essential health insurance coverage for all 12 months of 2014 (including coverage for their spouse if filing jointly, as well as any dependents), simply need to check the box. That is all that's required (for this year, anyway). No proof of coverage needs to be submitted if the box is checked. No penalty will be assessed.

What is "qualifying minimum essential health insurance coverage"? Minimum essential coverage is defined in the directions to the 2014 1040 Form as follows:

Minimum essential coverage includes:

- Health care coverage provided by your employer,
- Health insurance coverage you buy through the Health Insurance Marketplace,

- *Many types of government-sponsored health coverage including Medicare, most Medicaid coverage, and most health care coverage provided to veterans and active duty service members, and*
- *Certain types of coverage you buy directly from an insurance company.*

All of the Health Trust health insurance plans provide qualifying minimum essential coverage. So, if any of your employees who were covered (and who covered their dependents) under your Health Trust health plan for the entire 2014 calendar year ask you how they should respond to Line 61 of their 2014 1040 form – they can simply check the box.

For those individuals who did not have qualifying minimum essential health insurance coverage for the entire year, however, the answer to Line 61 of the 1040 Form is a bit more complicated. If the person filing (and his/her spouse, if filing jointly, along with any dependents) did not have coverage for all twelve months, they will have to file Form 8965 and either claim an exemption for any months in which they did not have coverage or pay the penalty (or, as it says in the “What’s New” section of the new 1040 Form Instruction booklet, “make a shared responsibility payment”).

An individual may claim an exemption from the requirement to have health insurance coverage for a number of reasons, chief among them the unaffordability of coverage. For example, if the cost for coverage in 2014 exceeded 8% of total family income, then a family may not be required to have insurance. Reasons for exemptions are listed on page 2 of the Instructions for Form 8965.

If an individual does not qualify for an exemption (for all or part of the year), page 5 of the Instructions include a Shared Responsibility Worksheet that individuals can use to determine the amount of their Shared Responsibility payment for 2014. This amount is then entered on Line 61 of the 1040 Form, and included in the individual’s taxes for the year.

It’s important for employers to be aware of these new provisions in the 2014 tax forms, since employees may be coming to you to find out if they had qualifying minimum essential coverage throughout the entire year. Large employers and insurers are required by the ACA to provide covered individuals with forms notifying them whether they met this requirement, but not until 2016 (for the 2015 tax year). This means that employees will most likely be coming to you over the next few months for the answer to this question. It also means that we will be providing you with information on how to comply with the employer reporting requirements of the ACA throughout 2015.

As stated above, **all of the Health Trust health plans provide qualifying minimum essential coverage.**

In the mood for some further reading on the topic?

Here are links to the updated 1040 Form and Instructions on the IRS website:

Form: <http://www.irs.gov/pub/irs-pdf/f1040.pdf>

Instructions: <http://www.irs.gov/pub/irs-pdf/i1040gi.pdf>

And here’s a link to Form 8965 and its instructions:

Form: <http://www.irs.gov/pub/irs-pdf/f8965.pdf>

Instructions: <http://www.irs.gov/pub/irs-pdf/i8965.pdf>

Please note that the Maine Municipal Association and the Maine Municipal Employees Health Trust are sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel with specific questions relating to this law.